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TOPICS OF THE MONTH

GOVERNMENT OWNED SHIPS

NOTHING like Secretary McAdoo's campaign for government owned ships occurs to the memory. The plan he advocates, or an approximation of it, was defeated in the last Congress. The support he receives from the press is negligible, while the opposition is persistent and emphatic. At the same time there is no denial of the necessity for very much better shipping facilities than are now available.

With all the opposition to the government's entry into a field which, according to American custom, is reserved for private enterprise, the situation is made anomalous by the responsibility of the administration for the Seamen's Act. It is as if the government, after making it impossible for private enterprise to engage in maritime shipping with the hope of profit, had excused its plan for government ownership by declaring that individuals or private corporations had failed to supply facilities. What the situation would be if the government had encouraged private ownership, instead of restricting it, can only be surmised.

Julius Kruttschnitt, president of the Pacific Mail Steamship Company, brought the matter to a controversial stage by formal statement that the company had retired from the Pacfic trade and had sold its ships because of the impossibility of their profitable employment under the new law. According to the Secretary of Commerce, this was an unexpected denouement. Mr. Redfield said that the company should at least have waited until the law went into effect; that it would have been only fair if the steamship company had notified government officials of its intention. Apparently the opposition of the Pacific Mail to the La Follette bill, when that measure was under consideration, and its calm statement that it would discontinue business if the bill were made a law, went unheeded and were forgotten. Extravagant statements and threats of disaster are almost the universal ac-

companiment of proposed legislation of this character. So accustomed are lawmakers and politicians to it that their surprise is natural if the disaster predicted comes to realization. There are now mysterious assertions that the Pacific Mail was prompted by anything but patriotic motives in discontinuing its service. There is an intimation that its ships were sold because of a sordid desire for unusual profits, the unusual profits resulting from the general dislocation of sea traffic. Secretary Redfield has hinted that he would ask for a congressional investigation of the conduct of the Pacific Mail Company. Under the new freedom Congress might find that a corporation has no right to sell its property if the action is unpatriotic or profitable or good business or anything that is out of harmony with the pet plans of government officials.

GOVERNMENT OWNERSHIP

To what extent the idea of government ownership is to be developed under the Wilson administration is a promising field for speculation. Secretary McAdoo is urging with all the power of his great office government owned ships. Postmaster General Burleson has long been on record as an advocate of government ownership of telegraph and telephone lines. Now comes Secretary Daniels with the promise that he will propose in his next annual report an extension of the government facilities for building vessels and he will also recommend that the government engage in the manufacture of armor plate and war munitions.

Mr. Daniels naively argues that the many navy yards will be of no service to the government unless they are used for such manufacturing purposes. Those familiar with the navy yard situation will concur in the belief that the navy yards were not intended for any such purpose. They were not even intended as navy yards. Most of them represent the activity of members of Congress in securing monuments to mark their enterprise in behalf of their districts.

Engagement by the government in the manufacture of war munitions will not prove popular at this time with the men who have converted manufacturing plants to such uses. It is perhaps true that the expenditures made in such conversions are paid by the countries which are consuming the product. This consumption cannot be of indefinite continuation. The time is coming when the manufacturers will have these plants on their hands. Plants designed for the production of shells, rifles, cartridges, etc., are equipped with special machinery which is at least of doubtful use for other purposes. Instead of building more plants which can do nothing else but produce war munitions, there is a good opportunity for the government to get munitions at reasonable prices. In a country commercially organized like the United States unnecessary duplication of special machinery is not only unwise; it is waste. Mr. Daniels asserts that one purpose he has in mind is to forestall combinations of munitions manufacturers who desire to gain unholy profits from government contracts. Combinations of this kind seem to be forbidden by law. The most that can be said for Mr. Daniels' argument, therefore, is that he would have the government invest millions in order to contravene the machinations of potential lawbreakers.

USURY

The public will agree with the Comptroller of the Currency that the practice of usury is not only illegal but perfidious and that any bank which customarily exacts the last ounce of the pound of flesh should be held up to public scorn. The public is also indebted to the Comptroller for the information that a woman in need of $3.50 had standing and credit in a national bank. Having standing and credit, to charge her 2,400 per cent., or $1 for the loan of $3.50 for six days, calls for general condemnation. If the downtrodden and humble have bank credit it must be extended on the usual terms. This woman, for instance, like other borrowers, should have been charged 6 per cent., or .007 cents for thirty days, or .0014 cents for the time she enjoyed the use of the funds. It would not be amiss for the Federal Reserve Board to define the status of laundresses and charwomen in national banks and fix the rates and terms under

which their paper will be accepted for rediscount.

Why take the Comptroller's advice and wait for an adjustment of these important affairs until the Congress has been delivered of a rural credit scheme?

A TARIFF COMMISSION

The question of the condition of foreign trade after the close of the European war has given President Wilson and the members of his cabinet much concern. Secretary of Commerce Redfield has made public assurance that the business of the United States will be protected from "dumping" by European nations anxious to have their commercial and industrial activity restored no matter what the sacrifice in profits may be. Mr. Redfield has apparently based his promise of action on a theory of what is going to happen when the war is ended. His theory may or may not be a correct one, but, in any event, there is no doubt of the solicitude of the administration over this prospect as well as over the effect that the present tariff is having. Free sugar, which was always dear to the democratic heart, was provided for in the present tariff, the provision to take effect May 1, 1916. There is also a promise that the so-called war taxes will be continued by Congress beyond the time set for their expiration, January 1, next.

Politically the situation in regard to revenues to support the government and the tariff as the means to such revenues, has created a dilemma. The administration would be open to the charge of political stultification if it proposed or consented to any increase in tariff rates even for the purpose of gaining much needed revenue. If it does not find a way to increase the revenue, without the sale of bonds as a means of securing money to pay current expenses, it will be open to the charge of bad management.

In these circumstances the plan of the Chamber of Commerce of the United States to push the campaign for the creation of a tariff commission may be welcomed by all parties. The United States Chamber of Commerce has taken a referendum of the 700 organizations which are its members, and the vote was all but unanimous in favor of a tariff commission. The 700 members of the Chamber of Commerce have a membership of more than 200,000 business men, so that this referendum represents the sentiment of practically the whole business community. It is announced by the Chamber that President Wilson recently wrote a letter to ex-Governor Cox of Ohio in which he said that the administration would not object to the creation of a tariff commission should it be decided to be a more efficient manner of handling the subject. It seems to be the view of the commercial world that any method of handling the tariff would be more efficient if provision was made for the elimination of politics.

DEVELOPING FOREIGN BUSINESS

The possibilities of trade with South America have been presented in a most alluring form and government departments have been most active in supplying information and making surveys of the prospects in that direction. It is a little surprising, therefore, that the first notable commercial efforts to expand trade in foreign fields is in the form of a corporation that is to promote trade with Russia. This corporation, organized in Illinois under the name of the International Sales Company of America will have headquarters in Chicago and Moscow, Russia, and will represent, it is reported, fifty non-competing American concerns.

Such an organization is apparently in contravention of the anti-trust law, but the probability is that it will not be prosecuted. In an address delivered some time ago, President Wilson suggested an amendment of the law which would permit combinations organized for the purpose of trading abroad. Another suggestion from an official source was that by some process the information secured by concerns with an established foreign trade be made available for general use; in short, the plan suggested was that there be some form of co-operative effort which would presumably place competing institutions on a non-competing basis. This plan was obviously not practical. The Illinois corporation is a first proof of its impractical character. The institutions interested in the enterprise are described as not competing with each other.

The only conclusion to be drawn from this

mark of enterprise is that, despite what has been said about South America, Russia is a more promising field of commercial endeavor. Not the least interesting phase of trade expansion is the manner in which practical business follows the advice and suggestion of governmental theorists.

SPECULATION

Addressing the annual convention of the Indiana Bankers Association, Charles S. Hamlin, Governor of the Federal Reserve Board, said: "There is a tendency in this country toward unwarranted speculative activity. Bankers should do their utmost to discourage it and head it off."

As soon as the war stocks sell "ex-mystery," says a financial writer, there will be a smash. The bankers of the country might contribute some influence to head off the speculative activity, but it is questionable whether or not it would be effective. The New York Stock Exchange has never been confronted by a more serious problem than that created by the eagerness of the public to speculate in war stocks. Brokers have issued warnings in vain. Margins have been increased. Many stocks can be dealt in only on a cash basis. Rules of the exchange are rigidly enforced, but the madness has been halted only for a few hours.

It is almost exclusively a speculative market. Investment money has no participation. It can have none. Investors do not deal in expectations. They look for present returns from securities which have stability. The relations between investment and speculation, for the time being, are ruptured. If it is the function of speculation to fix and measure comparative values, it has abdicated. Speculation seems to be now engaged in giving fictitious values to unstable securities. It is led on by the mystery of war orders. It builds on a foundation of hope and fancy.

Is this a matter within the control of bankers or can the judgment of bankers influence it? Is it a result or an indication of inflation? In the retrospect speculation is invariably regarded as a manifestation of over-expansion. How is it in reality and in prospect?

The common measure of business activity is the clearing house statement ot exchanges and balances. Just now this statement tells a false tale because its figures are swollen by the various stock exchange transactions which are mixed with the clearing house story of industrial and commercial activity.

The condition of the banks and the rates for commercial money are better indicators. Surplus reserves are large. Commercial paper rates are so low the banks are not eager purchasers. A currency contraction would be advantageous. The unprecedented amount of surplus reserves last winter was a warning which went unheeded. There has been no contraction. For months the tendency has been all in the other direction. Gold, the only elastic element in the currency except Federal reserve notes, has been steadily flowing toward the United States. The balance of trade grows steadily in favor of this country. Domestic trade continues to be below normal. Government revenues have fallen off and there is a constantly increasing deficit in the treasury. There has been a small decrease in national bank circulation, but this currency element had been previously expanded to unprecedented proportions. As the provider of an elastic currency the Federal Reserve Act has been a dismal failure. It has added to the total sum of the exchange medium.

Theoretically, a riot of speculation would be the normal product of such conditions. Theoretically also, a riot of unwarranted speculation precedes a collapse. What does it indicate practically?

POSTAL SAVINGS

In an interesting review of the postal savings system in *Harper's Weekly* for October 16, Postmaster General Burleson estimates that of the 540,000 depositors in the postal savings banks 300,000 are foreign born. He also estimates that of the $68,000,000 on deposit at least one-half would have been sent to Europe if the postal savings banks had not been in existence. The latter estimate is confirmed by the statement that since the European war began the number of postal savings bank depositors has increased

150,000. Experience with the system has convinced Mr. Burleson, first, that the appeal of these banks is almost exclusively to residents of foreign birth or extraction who were accustomed to similar institutions in the lands of their nativity, and, second, that the funds placed on deposit have been almost exclusively withdrawn from hiding places and were not diverted from other savings institutions.

The $68,000,000 on deposit with the postal savings banks is not a large amount when compared with the savings of the country. There are a number of single savings institutions with deposits in excess of the whole amount in the postal banks. But the appeal of these banks is not to be belittled under the circumstances. They have created a new savings fund and one that is unquestionably destined to grow, at least until there are no additions to the population through immigration.

Mr. Burleson cites a number of instances in which the restriction on deposits to $100 a month and to $500 in all have been the means of losing larger sums which were offered for deposit to the banks. His conclusion is that increasing the limit to $1,000 on which interest would be paid and $2,000 in all, would bring more money out of hiding and increase the deposits in the banks. He makes out a good case in the article mentioned and his suggestions for a change in the law become more convincing when considered in connection with information as to the sources from which postal savings come. The post office department assumes a new position in the economic scheme when it becomes a promoter of thrift. Next year will be the year of thrift.

THE ANGLO-FRENCH LOAN

The Anglo-French loan of $500,000,000 is being absorbed without apparent influence on money conditions or business. There seems to be general concurrence in the verdict that it is not good policy to exhaust a customer's financial resources. In that event purchasing ceases and the seller has harmed himself more than he has the purchaser. Predictions of all manner of difficulties if the loan was brought to fruition have come to naught. Threats of heavy withdrawals of deposits by German sympathizers have resolved themselves into a new method of expressing indignation. It was necessary to make the loan if foreign exchange were to have any kind of stability.

More money will be loaned to the allied powers. Italy has already received a credit of $25,000,000 and Russia is negotiating for a credit of similar amount, with the prospect that the sum will be doubled. These credit arrangements are insignificant compared to the money needs of the warring nations. If there are funds available in any part of the world they will get them because they will pay the price. Money goes where it will earn the most, if the element of risk is otherwise equal. The question of the amount of money that the warring nations will raise in this country is to be measured only by the duration of the war.

A. D. W.

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NATIONAL BANK SECTION

A meeting of the Executive Committee of the National Bank Section will be held November 12 at the offices of the American Bankers Association in New York. At this meeting there will be discussed plans for the activities of the Section, and choice will be made of a chairman and a secretary. The National Bank Section was organized at the Seattle convention with F. W. Hyde, of Jamestown, N. Y., as president and J. S. Calfee, of St. Louis, as vice-president. The members of the Executive Committee are: J. E. Cox, High Point, N. C.; H. E. Otte, Chicago, Ill.; Oliver J. Sands, Richmond, Va.; W. H. Bucholz, Omaha, Neb.; J. W. Spangler, Seattle, Wash.; W. M. Van Deusen, Newark, New Jersey.

Future of the Reserve System—Suggested Changes in the Law as Result of First Year's Operation

Carrying of All Legal Reserves, Reduction of Capital, and Abolition of the Office of Comptroller of the Currency, All Suggested by Men Actively Connected with the Operation of the System, Such as Paul Warburg, of the Federal Reserve Board, Governor Seay, of Richmond, and Others—Warburg Warns State Banks.

THE Federal reserve system came into being just one year ago. It was born under conditions of world-wide stress, following upon the outbreak of the great war, and the history of its first year is a record of transition and adjustment—an effort to co-ordinate a new banking system with an established financial and business structure. Conditions today, both in this country and abroad, are just as unusual as they were when the Federal reserve banks began business on November 16, 1914; and those who have carefully watched its growth and operation are beginning to ask, "What of the future? What modifications does the reserve system need in the light of current events, in the light of experience?"

That there is a well-defined trend of opinion in favor of certain changes in the Federal Reserve Act as being necessary or at least expedient, is patent from the fact that within a few days of one another several men actively identified with the operation, interpretation and development of the system have expressed themselves on the subject in positive terms. Paul M. Warburg, of the Federal Reserve Board; Governor Seay, of the Federal Reserve Bank of Richmond, and Chairmen Bosworth and Rich, of the Seventh and Ninth Reserve Districts respectively, have all come forward with proposals which, while differing in degree, are all more or less alike in pointing the way to greater efficiency of the reserve system and a quicker realization of the end for which it was designed.

Mr. Warburg, speaking at the conference of governors of Federal reserve banks at Minneapolis, thought the time was ripe for the reserve banks to carry heavy reserves as the main financial reservoir of the nation; and, incidentally, he warned the state banks to come into the system before the next period of stress arrives. He said:

"The advent of the Federal reserve system came at a time of acute adversity. Its operation, however, had so excellent an effect and the resulting changes were developed with such speed that many are now forgetful of its benefits. When, some months ago, we were near the brink of a most serious international complication, few people stopped to consider the fact that we were not then subjected, through fear of panic, to any convulsions such as we should inevitably have experienced before the establishment of the Federal reserve banks. I believe that those who think already know the benefit of the Federal reserve system, while those who do not think will learn to know them from actual experience. That will be conspicuously the case when excess reserves are next reduced and when higher rates for money again prevail.

"I could wish, for many reasons, that it might have been possible to open the Federal reserve banks before the war began and that *they* might have furnished the (about) $380,000,000 of notes that were issued under the Aldrich-Vreeland Act, as amended by the Federal Reserve Act. The functions of Federal reserve banks in general and our present policy would then be better understood, and there would be less talk about our earning capacity and the necessity of preserving the prestige of our Federal reserve banks by earning dividends. Had the Federal reserve banks been in operation when the war began and had *they* issued all the currency required last autumn, the rediscounts underlying these notes, at five per cent. interest, would have produced a return of about $4,500,000, or about the sum required to cover running expenses and dividends of all Federal reserve banks for a year.

"If the Federal reserve banks had put out this circulation and secured this return, would anyone suggest at this time that our banks should now make efforts to employ their money? Would not everyone agree that this present period of excessive ease of money was the proper moment for the reserve banks to withdraw their reserve money from active employment?

"Earning capacity must never be considered the test of the efficiency of Federal reserve banks. Personally, I should have felt heartily ashamed had all our banks, considering the circumstances under which they began operations, earned their dividends in the past year. Such an earning, with all it implied, would have been a proof that they had completely misunderstood their proper functions and obligations.

"It must be conceded, however, that only men who have been trained in banking or who have given close study to the question will fully understand that failure to earn dividends does not mean the impairment of the

prestige of a Federal reserve bank as it would that of a member bank. It cannot, moreover, be denied that the banking instincts of those in charge of the banks will always remain—if only subconsciously—sensitive on this score.

"For these reasons it may well prove advisable to reduce the proportion of paid-in capital of the Federal reserve banks so as to reduce, as far as possible, the conscious and subconscious pressure to force the funds of Federal reserve banks into actual employment at times when these funds should properly be withdrawn or held idle. Unless in times of great ease of money Federal reserve banks withdraw the bulk of their money from actual employment, they cannot possibly be prepared to have their funds available at the turn of the tide when their beneficial powers should make themselves felt.

"It is apparent, therefore, that the smaller we can consistently make the dividend requirement and the operating expenses of the Federal reserve banks, the better protected the system will be in time of trial.

"But, on the other hand, we dare not consider the item of expense when it involves questions of safety. One of the heavy items of expense, for instance, is that of printing Federal reserve notes. A large supply of such notes, ready whenever required, is, however, a most fundamental safeguard, and the steady issue of Federal reserve notes resulting in an accumulation of gold and gold certificates in the hands of Federal reserve agents will form an important element of strength in times of need.

"The Federal reserve banks have now in the hands of Federal reserve agents some $135,000,000 of gold and lawful money, which, in case of a growing demand for rediscount by the members banks, may be freed by a process of redemption and substitution of commercial paper. This gold may be turned, as a free asset, into the vaults of the Federal reserve banks and may thus form the basis for an additional note issue of $200,000,000. It has been claimed by some of our critics that this process spells inflation. Nothing could be more unwarranted than such assertion. As long as there are deposited with the Federal reserve agents $10 of gold for each $10 issued in Federal reserve notes there is neither inflation nor contraction, but simply a substitution of one gold certificate for another. But the beneficial effect will be shown when demand will spring up for additional circulation, when, as a result, this demand will be satisfied, not by paying out currency which may serve as reserve, but by issuing the Federal reserve note which has been created for this very purpose. This process ought to be furthered by all member banks and even non-member banks, for it is being carried on for their own protection. There is no such thing as the interest of a Federal reserve bank as against the interest of member banks. As yet, I fear, this is not sufficiently understood. The Federal reserve bank is the member banks'; it is your bank, your fire engine, constructed for your greater protection. You have paid for it and you are operating it. We are to be considered as your fire marshals. It is our function to see to it that the machinery is in good order and that conditions are such that fires may not too easily occur or spread too fast and too far. But yours is the engine, and yours is the fire!

"It is to your interest that your engine should not become rusty or obsolete, but that it remain a well-oiled and efficient instrument. In other words, Federal reserve banks must remain active banks operating in certain fields with a varying degree of intensity.

"If they are to exercise effectually the functions for which they have been created, access to these fields of operations must be given them ungrudgingly. They cannot protect you unless they can secure for themselves the strategic position without which they cannot act as regulators warding off interest rates both too high and too low and creating for the entire country a basis for a healthy development on a safe and solid foundation.

"It is to your interest to see the Federal reserve banks as strong as they possibly can be. It staggers the imagination to think what the future may have in store for the development of American banking. With Europe's foremost financial powers limited to their own field, with the United States turned into a creditor nation of all the world, the boundaries of the field that lies open for us are determined only by our own power of safe expansion. The scope of our banking facilities will ultimately be limited by the amount of gold that we can muster as the foundation of our banking and credit structure. Gold that is carried in the pockets of the people, gold that accumulates as excess reserves in the member banks' vaults, does not afford the maximum service that the country is entitled to expect. Excess balances and idle gold should accumulate in the Federal reserve banks. They should not control $300,000,000 of gold, as they do now, or $450,000,000, as they will after another year, but they should control a billion or two of gold. The stronger the Federal reserve banks become, the stronger will be the country and the greater its chance to fulfil with safety and efficiency the functions of a world banker. The basis of this development must be confidence. Unless the member banks are profoundly convinced that their balances are as safe with the Federal reserve banks as they are in their own vaults—beside being more useful and efficient there—and unless they are convinced that the Federal reserve banks will not abuse their vast resources for inflation of credit or for the purpose of aggressively competing with the member banks, the full growth of the system, and with that the full growth of American banking, cannot be developed.

"I believe that I may say with confidence that both the Federal reserve banks and the Federal Reserve Board are fully alive to the duty and responsibility that rest upon them in this respect and that they will do

their share of the work as they trust, not only the member banks, but those not now members, will do theirs.

"Believing in the bankers' sense of public duty, and animated by the motive of creating the broadest possible foundation for the development of a strong and united banking system in the United States, the Board has gone to the utmost limits of liberality in determining conditions for the admission of state institutions. In order to achieve this aim, it found itself in the difficult position of having to concede to these state banks and trust companies conditions which, in certain respects, give them a distinct advantage over national bank members. It is the hope and aim of the Board to see the powers of national banks liberalized, still, for the time being, it remains a fact that state institutions entering our system are at an advantage.

"Let me ask those of the state institutions that are proud of their independent standing: Is it quite fair to let your neighbors pay for the expense of the fire department when, in case of fire, you know you will count on the benefits of the general protection and when, as a matter of fact, you enjoy every day the advantage of the greater security provided by your neighbors? Let me tell them, at the same time, that insurance companies are generally willing to take risks while applicants are young and conditions serene, but are not very eager to write new insurance when the 'quake' is on. Let me ask you, too, is it conservative banking for state banks to reduce reserve requirements, as authorized by many state laws in consequence of the establishment of the Federal reserve system, if these state banks do not enter the system? Should not state banks remaining outside the system, as a matter of prudence, continue to observe the old reserve requirements?

"The thought is often expressed that 'at the time of the next crisis the state banks will all come in.' I think it may be safe to say that they will find that many will then come in *after* the next period of anxiety. This is not meant as a threat, but I am afraid it will be a physical impossibility to take them all in during such a period of stress. Examinations take time, and many state banks will not look as strong during a critical period as they may look to-day. Moreover, the Federal reserve banks will find it difficult, in fairness to their own members, then to burden themselves with banks that might add an element of weakness, remembering that, in times of sunshine and peace, such institutions had refused to contribute their proper share to the necessary work of protecting the entire community.

"While the Federal reserve system is in its early stages there must, of necessity, be a great deal of regulatory work. But I sincerely hope that the writing of regulations will soon become an occasional or incidental function of the Federal Reserve Board, and that traffic rules in banking will have become no more unusual or irritating than the raising of the hand of the traffic policeman."

SHOULD THE PAID-IN CAPITAL STOCK OF THE FEDERAL RESERVE BANKS BE REDUCED?

Curiously enough, both Chairman Rich of the Ninth Reserve Bank and Chairman Bosworth of the Seventh, chose the same week and succeeding days to discuss what is becoming an important question to some of the operating units in the reserve system—the problem of how to pay dividends.

The two suggestions, each made without knowledge at the time of the other, present two methods by means of which the Federal banks that have been criticized for not making rapid progress toward a dividend basis, can arrive at that point. They differ in form, but tend toward the same objective; that of eliminating the present heavy capital stock of the reserve system as an imperative factor in reserve bank earning requirements.

Addressing a representative gathering at Indianapolis, Chairman Bosworth of the Chicago bank said on October 13:

"I would let the subscribed capital and the double liability thereon stand as at present, but I would very largely reduce the paid-in capital. The objection to excessive paid-in capitalization (now about $55,000,000) is that it forces the reserve banks into open market operations in times of depression, in order to earn dividends."

In making further comments, Chairman Bosworth said:

"To worry about the showing of earnings of the Federal Reserve Bank of Chicago at this time is about as senseless as for the people of this beautiful city to get sore at its fire department because it has been idle this past week. I don't know how efficient the Indianapolis fire department is, but I do know that in the Federal reserve banking system you have an organization that, when an alarm comes, will get to the fire quick enough and throw a stream big enough to put it out before it gets to be a conflagration."

This is undoubtedly true, but what seems to be worrying both Chairmen Rich and Bosworth is whether member banks will see it in this light.

Cumulative Dividends

Mr. Rich presented a different solution in saying, in an incidental way, during an address before the leading bankers of northern Michigan at Houghton October 14:

"I have said before, that possibly it was a wrong conception to build up the capital stock of the Federal reserve banks, through assessments on member banks. On such stock we have to pay a six per cent. cumulative dividend. We must, therefore, keep always in mind the necessity of doing a volume of business sufficient to meet this dividend, and if we pass it we must make money enough another year not only to pay the current dividend, but to wipe out the deficit.

"If the $54,000,000 that is represented by the aggregate capital paid-in were replaced by a government deposit of the same amount, the necessity of earning six per cent. would be eliminated, and the small interest paid the government, if any, would not be an important consideration. With the elimination of the dividend would also be eliminated the criticism that the reserve bank is not making money."

Three, perhaps, of the reserve banks, are making expenses and dividends. The remaining nine are making expenses, and some of them a fair margin above expenses. The paid-in capital of each ranges from $2,500,000 to $10,000,000. The dividend necessities therefore range from $150,000 to $600,000 a year. This, added to current expenses, and the expenses incident to the establishment and equipment of twelve units, is likely to be the straw that broke the camel's back for some of the reserve institutions, which, with a plethora of money in their districts and little or no demands, are carrying moderate rediscounts and are meeting with only fair success in picking up a sufficient volume of acceptances, warrants and other permitted forms of investments to make up the difference. Both the Seventh and Ninth banks will probably close the year with a very good showing. They will have made their expenses and a margin besides. There is a question, however, whether the margin will be broad enough to cover a dividend, if business does not become more active. and if a considerably quickened demand for rediscounts from member banks does not result. The chief hope of this in both districts lies in the agricultural situation—crop moving and incidental demands for Chicago, and a lot of soft corn and crop moving for Minneapolis.

Reduction in Paid-in Capital

It would have been valuable to the observer if both Chairman Rich and Chairman Bosworth had followed out their suggestions a little farther.

A reduction in paid-in capital, as Chairman Bosworth suggests, would immediately reduce the available cash resources of each reserve bank. This might not be a good thing in the south, nor would it be desirable in any district, if the country is to enter soon upon a period of slack business and financial uncertainty. It is better that the reserve banks be amply fortified. whether the demand is here or not. No one can tell how quickly it might arise. Last August it appeared almost over night.

Chairman Rich's idea that the capital be returned to the member banks, and replaced with government deposits, might not be immediately workable for treasury reasons, but it would eliminate the dividend without impairing the cash resources of the reserve system. He makes no reference to the double liability on the stock. That might stand. Probably there would be no especial objection from member banks. In the case of the Minneapolis bank the offer of treasury funds recently made, if renewed under such a plan as this, would twice wipe out the paid-in capital. It was understood that Mr. McAdoo stood willing to supply $5,000,000 which the Minneapolis institution could not use and did not need. Its dividend requirements on about $2,500,000 outstanding are $150,000 a year.

Most member banks thoroughly agree in the protective nature of the reserve system. They appreciate the benefits that have resulted from the law. They have little or no general criticism, either of the act or the operation of the various reserve banks. When it came to joining the collection system, however, it was a different question. Many held off, and are still waiting outside, because of the fear of loss of exchange. On the dividend question it is the same. That dividend is promised by the act, and they want it. At the same time there is a fear that an element of competition with members will result from engaging in open market operations, and there is apprehension of a growing volume of rediscounts, on the theory that as rediscounts grow they must cut down the business of commercial (correspondent) banks. The situation is paradoxical. The members want their dividends but they don't want the reserve banks to get into the open market, or show signs of competitive activities. The problem put up to the reserve banks that have not been favored with any especial cataclysm to the natural products of their districts or its markets, is something like making bricks without straw.

Meddling Politicians

The danger of the situation is not that member banks will make life sad and unpleasant for non-dividend-earning reserve banks. That can probably be adjusted by frank explanation. It lies in the trouble that meddling politicians can make out of an apparent failure of the reserve banks that do not pay dividends to do a successful business. One instance of such meddling has already occurred. A repetition, in various parts of the country, even by those who are sincere and well-intentioned, might work severe damage to the reserve system where it can least afford injury, and that is by causing public unrest and weakening public confidence in their administration. The opportunity for such damage is obvious. The easiest political explanation of a dividend-failure would be that the banks did not make money cheap and encourage the public, through local banks, to use them.

The reserve banks are doing the best they can. In practically every case there has been an earnest attempt to pare expenses to a minimum. They are ably and economically administered. As Chairman Bosworth remarked, "they are functioning properly." The

evidence of this is in the very fact that some of them are not doing a large volume of business. They are not causing inflation by forcing money out when there is no need of it.

Double-Barreled Control

The double-barreled nature of a Federal reserve bank may yet present hard problems to work out. Chas. G. Dawes, president of the Central Trust Company of Illinois and a former Comptroller of the Currency, was the first to suggest the difficulties of putting the government and the banks into double harness. Either of the suggestions made by two practical men who have had a year of intimate experience in their respective reserve banks might solve part of the difficulty. Such a solution ought to go hand in hand with a further step—that of simplifying the election of reserve bank directorates, and doing away with the clumsy attempt to make them tripartite boards with the banks the government and business equally represented. In doing away with the capital stock or reducing it, Congress might well rearrange the make-up of these boards, dividing them as nearly as may be between government-appointed and bank-elected directors. The attempt to give representation to general business through permitting member banks to elect one-third of each board as non-banking representatives was not well thought out and could not very well succeed. Any such representation would naturally be pro-banking in its character, and even if actually non-banking, as the law intended, would always be subject to the suspicions of the public. Five bank-elected directors and four government-appointed directors would leave the control of each board where it is now—in the hands of the banks. It would not leave room for suspicion on the part of the public.

GOV. SEAY WOULD AMEND THE LAW TO MAKE ALL RESERVE FUNDS INSTANTLY PAYABLE

The *Commercial and Financial Chronicle* of October 23 printed an elaborate statement made by George J. Seay, Governor of the Federal Reserve Bank of Richmond, which is also printed on another page in this issue. Mr. Seay argues that "there is now afforded the best opportunity this country has ever had and, so far as human foresight can determine, in the light of experience, the best opportunity it can ever hope to have to complete the regeneration of its banking system." Mr. Seay argues for an amendment to the Reserve Act which shall repeal the provision making the balance of reserve funds payable on specified dates in the future and the enactment of one which will make them instantly payable. He gives elaborate tables of figures to show that the banks now have the funds with which to make such payments and that the condition of business is such that the immediate transfer of these funds to the Federal reserve banks would cause practically no disturbance. World conditions, on the other hand, are so uncertain that payment on the dates now specified might result in very serious financial and commercial disturbance. There has been, he argues, a tremendous increase in the reserve funds of the country and there is no likelihood that the opportunity to build up a credit structure on this foundation will be neglected. The presence of a plethora of money is always an invitation to commercial expansion, to engagement in new enterprises and to speculation. Any one or all of these, as the result of mere money power, may assume untoward proportions. If, then, Mr. Seay continues, this expansion assumes formidable size before the next or subsequent date fixed for the transfer of reserve money to the Federal reserve banks, the payment may cause trouble or, in any event, it could not be made with the ease and certain absence of disturbance which present conditions make possible.

It is apparent that Mr. Seay is in agreement with the members of the Federal Reserve Board, with the framers of the law and with the motives which prompted those who were most earnest in their advocacy of a general revision of the banking law, that the Federal reserve banks should be going institutions having daily business transactions with their members. No member of the Federal Reserve Board would now admit that the reserve banks are not such institutions. On the contrary, there are a great many thoughtful bankers who not only deny that such is the case but doubt very much whether the reserve banks will ever become anything but emergency institutions unless their number is reduced and there are other revisions of the law. Holding this belief these bankers can see no reason why there should be further addition to the capital holdings of the reserve banks, although they would not advocate any reduction in capital liabilities. Mr. Bosworth seemed to voice this opinion in his address at Indianapolis. Many of the bankers go farther, however. They would not only not have further payments on capital subscription but they would permit banks to have an option in regard to the last payment of reserve funds required by the law; that is, they would give to country banks, at least, permission to count as reserves funds on deposit with agents in reserve or central reserve cities.

At the end of a year, therefore, after the Reserve Act became operative, the question of its future is in doubt. Left to develop of itself the reserve banks are likely to remain as mere emergency institutions whose operations will be of small moment until there is some

kind of a stringency. The matter of their future position will presumably be up for decision by the Congress which will meet in December.

ARGUMENT IN FAVOR OF PUTTING INTO IMMEDIATE OPERATION THE COMPLETE RESERVE PROVISIONS OF THE FEDERAL RESERVE ACT.

(By **GEORGE J. SEAY**, Governor of Federal Reserve Bank of Richmond.)

THE RESERVE SITUATION.

Comptroller's Abstract, May 1, 1915.

DEPOSITS REQUIRING RESERVE.

Central Reserve Banks	$2,032,000,000
Reserve City Banks	2,035,000,000
Country Banks	3,130,000,000
Total	$7,197,000,000

Reserves Now Held.
(Last 000s omitted in each column.)

	In vault.	In Federal Reserve Banks.	Total held in vaults & Federal Reserve Banks.	Balances with agents.	Total reserve held.
Central Reserve Cities	$356,978	$154,415	$511,393	....	$511,393
Reserve Cities	173,049	65,475	238,524	$294,314	532,838
Country Banks	209,110	74,848	283,958	454,382	738,340
	$739,137	$294,738	$1,033,875	$748,696	$1,782,571

New Reserves Required under Full Operation of the Act.

Central Reserve Cities 6-18	$121,925	$142,246*	$365,775	....	....
Optional 5-18	101,604	....	....	....	....
Res. Cities 5-15	101,769	122,123†	305,307	....	....
Optional 4-15	81,415	....	....	....	....
Country Bks 4-12	127,876	159,845‡	383,628	....	....
Optional 3-12	95,907	....	....	....	....
	$630,496	$424,214	$1,054,710	....	$1,054,710
Amount of member bank balances which would be eliminated from reserves if the Act were put into immediate and full operation					$727,861

* 7-18; † 6-15; ‡ 5-12.

There is now afforded the best opportunity this country has ever had and, so far as human foresight can determine, in the light of experience, the best opportunity it can ever hope to have to complete the regeneration of its banking system.

Moreover, if undertaken now, no risk will be incurred, but, on the contrary, there will be put into action the most effective means within our command to correct a situation which, by almost common consent among experienced bankers, contains a growing menace, and from which we can hardly otherwise hope to emerge without a repetition of some of the evils which have been the outcome of similar situations in times past.

The enormous and continually piling up bank reserves under the combined effect of the new system, and the overlapping operation of the old, afford a supply of credit far beyond any sum ever before made available in this country. Human nature has never heretofore been able to resist using too abundant bank resources for speculation and inflation, and we cannot reasonably expect it to resist the present opportunity, even under the restraining influences of present world conditions.

As a direct result of the Federal Reserve Act, in its first period of operation, the volume of credit which the banks could legally grant, based upon the reserves held, was enormously increased at a time when an increase was needed as never before.

The subsequent growth of these reserves to such a remarkable extent has been due to causes well understood; but it should not be overlooked that this growth is being to some considerable degree augmented by the continued operation of that provision of the act which diminished the percentage of reserves required to be held.

If the act were to be put in full operation at the present time, or if within a little more than two years from now the act should go into full operation, under conditions similar to those now existing, the effect will be to diminish the legal reserves by an amount greater than the amount of the reserves released at the inauguration of the system, and thus correct in a great measure a condition of superabundant reserves temporarily brought about by operation of the act.

The provisions of the act governing the transfer of additional reserves to the Federal reserve banks at recurring period within the two years will alter the whole reserve position but very slightly, so long as balances remaining with reserve agents during that period are allowed to count as legal reserve. The amounts involved in each transfer are relatively too small to have appreciable effect. To illustrate: The present reserves required are as follows (Table No. 1):

	Reserves		
	Held.	Required.	Excess.
Central reserve cities	$511,393,000	$365,775,000	$146,318,000
Reserve cities	532,838,000	305,307,000	226,811,000
Country banks	738,340,000	383,628,000	354,732,000
	$1,782,571,000	$1,054,710,000	$727,861,000

(By reference to the table with which this article commences, it will be seen that the entire excess of reserves consists of "balances with agents.")

The additional transfers to reserve banks required at intervals of six months are as follows:

	Reserve city banks.		Country banks.	
Nov. 16, 1915	1-15	$20,352,000	1-12	$32,208,000
May 16, 1916	1-15	20,352,000	1-12	32,208,000
Nov. 16, 1916	1-15	20,352,000	1-12	32,208,000
Leaving with agents*	3-15	$61,056,000	2-12	$96,624,000
Total amount required to be transferred by Nov. 16, 1916				$157,680,000
The amount now held on deposit with agents				$748,000,000

* Which may count as reserve.

Should the amount required for transfer be withdrawn from agents, there would remain $590,000,000, which for twelve months longer—completing the three-year period of the act—would be counted as reserve, after which time it would be deprived of the reserve quality.

Therefore, it is the elimination of balances with agents from "legal reserves" which will work the transformation at the end of the two-year period from this date, and give for the first time a sound reserve system.

The creation of reserves out of these balances by the old law, and their entire elimination as reserves by operation of the Act, thus correcting an unsound condition, afford a graphic illustration of the creative and destructive powers of the law. Experience with the old law has abundantly demonstrated the dangers which inevitably follow the enactment into law of such arbitrary provisions when they are not based upon sound economic principles.

It is too easily forgotten that these balances have always been gravely lacking in the quality of real reserves at every time of crisis.

Tables Nos. 15 and 17, appended hereto, and those previously given, illustrate the eliminating process and give the resulting condition.

While the amount of reserves "released" at the inauguration of the system was about $450,000,000, the amount which will be eliminated when the Act goes into full operation will be about $727,000,000—the calculations being based upon existing conditions. For illustration, refer to the statement heading the argument.

If the partial compensation of increased reserves in Federal reserve banks is taken into account, the amount of eliminated reserves will be reduced to about $598,000,000 (Table No. 17).

If, therefore, within the next two years, bank loans should become expanded in any measure approximating the limit possible upon the present basis of reserves, in which process the excess balances now with agents would become a part of the required reserve, the contraction which will be brought about by putting the act into

complete operation—if it can then be put in operation—cannot fail to produce a convulsion.

If upon top of this, as the end of the period approaches, and in the event of the ending of the war, the other nations take measures—which they undoubtedly will then be able to take—to recover the gold which they have been compelled to send us, and which they will be needing badly to put their own financial houses in order, the situation will be still more gravely complicated. This subject will be treated more extensively further on.

Since both of these eventualities are to be seriously reckoned with, it becomes a matter of very grave consequence to consider whether the act should be at once amended so as to enable all of its reserve provisions to be put into immediate effect while it can be done with ease and benefit.

It is almost certain that when the time approaches to put the Act in operation, given conditions of inflation or even legitimate absorption of surplus reserves on a large scale, opposition to it will arise, because of the contraction which must ensue; and that fact will be a powerful argument to postpone, if not defeat, the completion of the Act.

The sound credit and reserve provisions were put in the Act only after many years of preparation and effort and against all kinds of opposition.

To have to compromise now upon any important principle, after victory has been won, would be a calamity.

Since the argument was written it has been reported that at the recent convention of the American Bankers Association a resolution, approved by the Administrative Committee, was submitted and passed advocating the attempt to procure an amendment to section 19 of the act to permit country banks to keep "four per cent. of their reserve with any national bank in a reserve or central reserve city—."

If this means a reserve of four per cent. on the amount of their deposits—as it was doubtless intended to mean—it would be a sum of one-third greater than the "optional reserve" required to be held under the Act, and would involve $128,000,000 if calculated upon present deposits.

Such a provision would be a dangerous weakening of reserves, especially when coming upon top of the reduced requirements, and would be a sacrifice of the principle of the Act and bring discredit upon the system.

It would also be a decided step towards that inflation of which many bankers have already accused the Act.

The passage of this resolution will serve to illustrate the dangers the Act will inevitably have to run while going through its various stages of development. At each change opposition of some character is likely to arise.

At the time the Federal reserve banks were launched it would have been impossible, without disaster, to make the adjustments required to put the Act into full operation.

The amount of cash held by the banks was then short of actual requirements by $134,000,000, and the amount which would have been required to make the adjustments back and forth between reserve and central reserve and country banks—as illustrated in Table No. 13—would have caused a much heavier deficiency before final adjustments could have been accomplished, and no reserves would have been released. Rediscounting, of course, could have been resorted to in order to make up the deficiency in cash, but severe disturbance would have followed in any event.

Conditions now are radically different, and the argument illustrated by the tables attached is offered to show that the Act can now be put in full operation with far greater facility than that with which the initial transfers were accomplished.

To illustrate the extent to which the Act in its present chrysalis stage is responsible for existing huge legal bank reserves, it is highly illuminating to examine into what would be the reserves under the old law. This is shown in the appended Table No. 18:

TABLE No. 18.—*Showing What Would Be the Amount of Reserves Required Under the Old Law and the Proportion of the Amount Now Held Which Could be Counted as Legal Reserve.*

	Central reserve cities.	Reserve cities.	Country banks.
Res. required	25%-$508,000,000	25%-$500,000,000	15%-$443,300,000
Legal reserve	511,396,000	492,546,000	558,418,000
Excess	Def. $3,396,000	$7,454,000	$115,118,000
Net excess			$111,060,000
Excess balance with agents, not allowed to count as reserve: Reserve cities			37,000,000
Country banks			187,800,000
Excess reserves under present law.........			$727,861,000
Difference between old and new reserves......			$616,801,000

It is interesting to compare the above statement with the condition of the banks on October 31, 1914, just prior to the opening of the reserve banks:

Statement Showing the Reserve Condition of National Banks Oct. 31, 1914.

	Central reserve cities.	Reserve cities.	Country banks
Reserve required..	$411,255,000	$484,083,000	$537,910,000
Reserve held......	409,204,000	455,619,000	576,484,000
Excess or deficit..	Def.$2,051,000	Def. $28,464,000	Exc.$38,574,000
Net excess			8,059,000
Excess balances with agents, not allowed to count as reserve: Country banks..........			111,420,000
The reserve city banks held an excess in cash of			20,520,000
But were short in their reserve with agents.....			48,984,000
Making the net shortage in reserve, as above....			28,464,000

It is reasonably clear upon the face of things that the Act could now be put into complete operation without disturbance or injury to finance or commerce, and with benefit to the banks in steadying interest rates—now thoroughly demoralized and endangering profits.

The amount of cash required for adjustments in comparison with the amount held by the banks is shown in the statement at the head of this article.

But the transition should not be made without intimate foreknowledge of its effects upon the banking situation.

It is for this reason that the comparative analysis has been made in the tables appended, with perhaps rather unnecessary detail and with some repetition, but the attempt has been made to omit no important detail upon which comparative knowledge might be desired.

All the tables are based upon the condition of the banks on May 1, shown in the Comptroller's abstract. The June report was not available when this analysis was made.

It will, however, give additional assurance to those who may entertain any doubts about the advisability or the effect of making the change to know that the banks now hold a much greater amount both of cash and reserve.

THE AMOUNT OF CASH WHICH WILL BE NEEDED BY THE BANKS TO MEET THE NEW RESERVE REQUIREMENTS.

While all details will be found in the tables, a brief synopsis of the situation of the banks is given here.

The new reserves under the Act will, of course, be upon a cash basis. While they may be created by rediscounting, it is nevertheless a system of cash reserves.

Provided, therefore, the reserves required are built up in cash by transfers between the three classes of banks, the following statement will show the amount of cash which will be required and the amount of cash now held to meet the requirement.

Required Reserves—Tables Nos. 1 and 7.

Central reserve banks—18% of demand deposits; 5% of time deposits ($2,032,000,000)..........	$365,775,000
Reserve city banks—15% of demand deposits; 5% of time deposits ($2,035,000,000).............	305,307,000
Country banks—12% of demand deposits; 5% of time deposits ($3,130,000,000)...............	383,628,000
Total amount of cash reserve required.......	$1,054,710,000

Cash Held.

Including Amount Now in Federal Reserve Banks—Table No. 7.

Central reserve banks...........................	$511,393,000
Reserve city banks..............................	238,524,000
Country banks	283,958,000
Total	$1,033,875,000

Cash deficiency	20,835,000
Central reserve banks will have surplus—Table No. 8	145,618,000
The reserve city banks will be short	66,783,000
The country banks will be short	99,670,000
	$166,453,000

The whole demand for cash will therefore fall upon the central reserve banks.

To present more fully the state of preparedness of the three classes of banks to make the adjustments, Table No. 7 is inserted here:

TABLE No. 7.—*Comparison of Reserves Now Held in Vault and in Federal Reserve Banks with Reserves Which the Banks Will be Required to Hold Under Full Operation of the Act.*

Reserves:	By central res. cities.	By reserve cities.	By country banks.	Total.
	$	$	$	$
Held in vault & F. R. banks	511,393,000	238,524,000	283,958,000	1,033,875,000
To be required	365,775,000	305,307,000	383,628,000	1,054,710,000
Excess	145,618,000	....	....	....
Deficiency	....	66,783,000	99,670,000	20,835,000
Deficiency in reserves of reserve city banks as shown above			66,783,000	
Deficiency in reserves of country banks, as shown above			99,670,000	
				166,453,000
Excess in reserves of central reserve city banks, as shown above				145,618,000
Net deficiency of cash reserves now held jointly in vaults and Federal reserve banks compared with the new reserves required, as shown above				20,835,000

While the country banks will undoubtedly draw against their balances in the reserve city banks for part of the cash needed, those banks in turn will have to pass the demand on to the central reserve banks, and will be compelled to draw upon them for the amount of their own deficiency, plus the amount which country banks withdraw, so that the central reserve banks in any event will have to meet the full demand for all the cash required, namely, $166,453,000.

RESERVES RELEASED.

By paying out that amount of deposits, their required reserve will be diminished by (eighteen per cent. —Table No. 14) $29,961,000, so that a deficit of $20,835,000 will be turned into a surplus of $9,126,000. The cash now held by the banks is therefore adequate for the required adjustments for the first time since the inauguration of the system.

TOTAL BANK RESERVES OF THE COUNTRY (FEDERAL RESERVE SYSTEM) AFTER ADJUSTMENT—ALSO COMPARING PRESENT RESERVES WITH NEW RESERVES.

In order to present in logical sequence the effect of the required adjustment under present conditions upon the banking position of the country, Table No. 17 is given here.

(Last 000s omitted in each column.)

	Reserve		Excess of reserve		Balance with agents.*
	Present held.	New required.	Present.	New.	
Central reserve cities	$511,393	$365,775	$146,318	$9,126	....
Reserve cities	532,838	305,307	226,811	9,000	$167,531
Country banks	738,340	383,628	354,732	.....	354,712
	$1,782,571	$1,054,710	$727,861	$18,126	$522,243
Federal reserve banks (Aug. 20)	294,738	424,214	....	.....	....
	$2,077,309	$1,478,924	....	.....	....
Fictitious bank reserve eliminated					$727,861
Net total of reserves eliminated (after taking into account the increase in Federal reserve bank reserves)					598,385

*Not reserve.

Increase in Reserves Since May 1.

The Comptroller's report of June 23, which has just come to hand, shows that the reserves of the central reserve banks have increased since May 1	$45,239,000
While the reserve city and country banks have increased as follows:	
Reserve city banks—increase in cash reserves	13,413,000
Country banks	9,906,000
Making a total increase in cash reserves	$68,558,000

This is counting due from Federal reserve banks as cash reserve in all cases.

The increase in actual cash and the total increase in excess reserves is shown in Table No. 19.

The total excess reserves of the banks, if readjusted upon the basis of condition in the report of June 23, would probably be approximately $51,000,000 greater than shown herein, or, say, $69,000,000, leaving practically the entire resources of the Federal reserve banks available for additional credit—a sum greater than any available reserve ever held before the inauguration of the reserve system, and surely great enough for orderly legitimate expansion, even in this country of tremendous resources.

It is a conservative situation to have this argument and the figures presented based upon a condition less favorable than the above.

There is a very wide margin to provide for any probable adverse change between now and the time within which the Act could be put into full effect.

THE CONDITION OF FEDERAL RESERVE BANKS AFTER READJUSTMENT WOULD BE ABOUT AS FOLLOWS:

Liabilities.

Capital stock—Statement Sept. 11	$54,772,000
Reserve deposits—minimum required after adjustment	424,714,000
Federal Reserve notes—net	17,527,000
All other liabilities	3,068,000
	$500,081,000
The amount of "optional reserves" required to be carried by the banks would be—Table 16	$278,926,000

It is reasonable to suppose that some portion of these reserves will be carried in Federal reserve banks.

Government deposits have not been considered, although the banks now hold $15,000,000 of such deposits.

COMPARATIVE EFFECT OF PUTTING THE ACT INTO IMMEDIATE OPERATION.

It has been shown above that a return to the old law would have the effect of reducing excess bank reserves from $727,000,000 to $111,000,000.

Putting the reserve provisions of the Act into immediate operation, as illustrated in the foregoing, would, therefore, have about the same effect upon member bank reserves as a return to the old law, but with this vital difference, the huge resources of the reserve banks would be available for the grant of additional credit to the country, and this flexible reserve would be under concentrated control, with the ability to regulate the credit situation to an extent now wholly beyond the power of the banks or the Reserve Board. While a very large amount of legal reserves will be eliminated, they are surplus reserves, not needed, performing no service, a source of embarrassment and possible danger—and may be the direct means, by lowering the interest rate too greatly, of expelling gold later on to countries able and willing to offer more for it. Reference to this point will be made further on.

It was the direct purpose of the act to eliminate from reserves, balances due by other banks, at a time when it might be safely done, and for that purpose the provisions of the act were so framed as to be brought into operation gradually.

It is fully understood that after the transfers of reserves required by November 16, 1916, only 3-15 of the required reserves of reserve city banks and 2-12 of required reserves of country banks, may count as legal reserve in the hands of agents. This sum would at present amount to $105,000,000 and, of course, in an extended situation, with deposit liabilities greatly built up, would be much more.

Therefore, the final change cannot be other than abrupt, and should it occur at a time when conditions are not favorable, might be distressing.

Even a $100,000,000 surplus has not heretofore been a common thing.

It therefore appears that, given a situation when the act can easily and safely be put into operation, not only with benefit, but as a safeguard against evils almost certain otherwise to arise, and when delay may even mean defeat of the deferred provisions of the Act, the present opportunity should not be permitted to pass without action.

The following benefits may be reasonably expected to follow from putting the Act in complete operation:

1. It will insure the accomplishment of the reserve provisions, which will be endangered by delay.

2. By eliminating a huge amount of legal, but fictitious, reserves it will be using the most effective means at command to safeguard against undue expansion which all previous experience has taught us is likely to occur.

Inordinate expansion at this time would probably be attended by exaggeration of many troubles which have hitherto afflicted us, and by a string of evils peculiar to the circumstances arising from war conditions.

The economic effects which must come from the extensive use of the credit now made available—the effect upon prices, the cost of living, the condition and wages of labor at a critical time when labor has been made unusually scarce by the war, are all to be considered.

The most conspicuous phase of current conditions is the labor situation in industries made phenomenally prosperous by war business, here and abroad—"A little leaven will leaven the whole lump."

A financial system properly chargeable with the present banking situation has a heavy responsibility.

3. It will give the reserve system a better control over the credit situation of the country. Control of the "surplus" gives control of the whole.

4. It will benefit member banks by steadying interest rates, and will go far to insure profitable, but always reasonable, rates. Cheap credit and excessively low rates have an element of danger.

It will take from member banks a large amount of bank deposits, but at a time when they are not profitable, and it will be no hardship to give them up. Conditions might change and opposition arise.

5. By eliminating an unreal surplus, it will insure to the reserve banks a better income by creating a more active rediscount demand. Member banks having to borrow will be more than compensated by the better rates they will be enabled to charge.

6. It will aid more than any other factor in solving the collection problem of the reserve banks.

With reduced balances, member banks will probably not find it profitable to continue making collections free of charge, and the reserve banks will be called upon for that service.

7. By having better control over interest rates, and with a well developed collection system, the power to draw state banks into the system will be greatly increased.

If substitution of Federal reserve notes for national bank notes can be made in a wholesale way, then by having measurable control over interest rates, with a superior collection system and the exclusive power of note issue, the attraction to state banks should be such as to give early hope of a "unified system."

8. The greater strength of the reserve banks will give them increased control over the gold supply.

Contrary to the argument advanced in certain quarters, the issue of reserve notes indirectly against gold has no concern with the provisions of the act intended to give flexibility to the currency, and cannot by the substitution of one dollar for another create an inflated currency.

Flexibility can be created by the addition or withdrawal of a relatively small surplus, and is affected by redemption laws more than by any other cause.

The reserve banks by this process have accumulated a reserve supply of credit, which must be added to their apparent resources. The greater their accumulation of gold in this or any other way, the greater the protection to our supply. The strength of the reserve banks is to be measured by their note-issuing power—by their gold holdings.

In whatever way the control over the gold supply and the interest rate can be placed in the hands of the reserve banks, or under concentrated control, it should be done.

The foreign financial problem will become ours after the war.

Since August 1, 1914, the following changes have taken place in the foreign banking situation:

	August, 1914.	July, 1915.	Increase.
Bank of England:			
Gold holdings	$190,000,000	$260,000,000	$70,000,000
Deposits	335,000,000	1,035,000,000	700,000,000
Bank of France:			
Gold holdings	825,000,000	785,000,000	*40,000,000
Deposits	260,000,000	485,000,000	225,000,000
Circulation	1,335,000,000	2,440,000,000	1,105,000,000
Bank of Germany:			
Gold holdings	420,000,000	590,000,000	170,000,000
Deposits	235,000,000	400,000,000	165,000,000
Circulation	470,000,000	1,300,000,000	830,000,000
Bank of Russia:			
Gold holdings	800,000,000	785,000,000	*15,000,000
Deposits	420,000,000	750,000,000	330,000,000
Circulation	730,000,000	1,750,000,000	1,020,000,000
The total increase in gold holdings is			185,000,000
And increase in deposit and circulation liabilities			4,375,000,000

* Decrease.

The contest for the gold supply will be keen, and the countries with the highest interest rates and the greatest need will act as suction pumps on the supply.

9. To put the Act into full force at once will remove a source of unsettlement which the frequent changes can hardly fail to cause, and will tend to quiet the disposition to criticise and amend it. It will also lead to a quicker and more comprehensive appreciation of its aims and purposes, and promote a better understanding of sound credit and banking. It will put to rest the frequent accusation that the Act is the cause of inflation. If it is not done, the accusation will become a true one.

GEORGE J. SEAY.

Richmond, Va., September 15, 1915.

SUGGESTS ABOLITION OF COMPTROLLER'S OFFICE

C. H. BOSWORTH, FEDERAL RESERVE AGENT AT CHICAGO, BEFORE THE INDIANA BANKERS ASSOCIATION

There are a number of changes in the Federal Reserve Act that, in my opinion, are necessary and that must be covered by amendments. The principal ones are:

First.—A substantial reduction of the paid-in capital. I would let the subscribed capital and the double liability thereon stand as it is, but very largely reduce the paid-in capital.

Present paid-in capital of the Federal Reserve Bank of Chicago	$6,600,000
Uncalled subscription	6,600,000
Total	$13,200,000
Double liability	13,200,000
Total capital protection	$26,400,000
Reserve deposits	$52,000,000

Present paid-in capital of the twelve Federal reserve banks	55,000,000
Uncalled subscription	55,000,000
	$110,000,000
Double liability	110,000,000
Total capital protection	$220,000,000
Reserve deposits	$325,000,000

The objection to this excessive paid-in capitalization is that it forces the reserve banks into open market operations in times of depression in order to earn dividends.

Second.—The office of the Comptroller of the Currency must be abolished and the functions of that office absorbed by the Federal Reserve Board and the Federal reserve banks.

I say this with all respect for the present Comptroller, and it is intended in no way or form as a criticism on him. But the present arrangement gives one member of the Board additional powers and control over the member banks which can easily result at his working at cross purposes with the Board.

Furthermore, I am satisfied that no considerable number of important state banks will join the system until the number of "controls" is reduced to two, namely, the state banking department and the Federal Reserve Board.

And this leads up to the third change in the law, and that involves the right of the Secretary of the Treasury to deposit the general fund and the revenues of the government in the Federal reserve banks at his sole and unlimited discretion.

This is the most difficult of the problems above enumerated to solve—and perhaps the most important. The law should be amended so that the Secretary of the Treasury can only deposit these funds on the invitation of the Federal Reserve Board, and in the amounts and in the banks designated by the Board and the management of such deposited funds to be under their supervision.

In conclusion, I wish to state my own theory as to the Federal reserve bank—and I am willing to stand or fall on this statement. It is a bank for banks. It has a number of functions which it can exercise with propriety—but with *caution*—in times such as these, but it must always be borne in mind that its main resources are reserve deposits by its members. This is a trust fund for that purpose. The credits which control the whole commercial and business structure of the country are based on these reserve deposits and the additional cash reserves carried in the vaults of the member banks.

In this period of money plethora and slack business, the Federal Reserve Bank of Chicago, with only about $1,500,000 of rediscounts from member banks, is functioning properly *and this is the best evidence thereof.*

To worry about the showing of earnings of the Federal Reserve Bank of Chicago at this time is about as senseless as for the people of this beautiful city to get sore at its fire department because it has been lying idle for the past week.

I don't know how efficient the Indianapolis Fire Department is, but I do know that in the Federal reserve banking system you have an organization that—when the alarm comes—will get to the fire quick enough and throw a big enough stream to put it out before it gets to be a conflagration.

CREDIT MEN WISH RESERVE ACT AMENDED SO AS TO PERMIT DOMESTIC TRADE ACCEPTANCES

The National Association of Credit Men, at its annual meeting in Kansas City in September, adopted a series of resolutions in which it was stated that the organization viewed "with deep interest a growing tendency toward the substitution of trade acceptances for open accounts as a form of commercial credit." They recorded their belief "that trade acceptances present conveniences and economies which should appeal to the encouragement and support of commercial credit grantors." They recommended an amendment to the Federal Reserve Act which would permit member banks "to accept drafts arising from the sale and delivery of merchandise in domestic transactions, a power similar to that which the act allows member banks in transactions arising from the importation or exportation of merchandise." The opinion was expressed that this form of paper would aid domestic transactions and be acceptable for rediscount at the Federal reserve banks at attractive rates of interest.

The question of permitting national banks to make such acceptances, without confining their operations to import and export transactions, was discussed when the Federal Reserve Act was in Congress. It appealed strongly to many members in both House and Senate and had the support of many bankers, business men and economists. In explaining the report of the conference committee in the House, Chairman Glass said that it had been decided not to authorize acceptances created by domestic transactions. He declared that such authorization would be followed by "a saturnalia of expansion" which would bring the whole act into early disrepute and prevent the orderly development of the new system under the guidance of experience.

There are many bankers who advocate the continuance of the creation of one-named paper and are opposed to domestic acceptances. It has been alleged that the extension of the character of paper susceptible of rediscount at the Federal reserve banks has already resulted in the offering in the market of paper of doubtful value, and that further liberalizing of the rules would cause the creation of still more of what bankers call "this stuff."

A Change of Business Customs

A point of interest is that the extension of the acceptance system involves a change of business rather than of banking custom. Under the old methods of business manufacturing or mercantile concerns of large resources financed their customers by utilizing their own credit. If they took notes in payment of merchandise they held them, and, after the lapse of a specified term, charged interest and thereby earned what is really a banking profit. Under such a system the small manufacturer or the jobber of limited resources is at a disadvantage in competition with his

larger rival. If banks members of the reserve system, were authorized to accept paper created by domestic transactions there would come into existence, theoretically at least, a mass of commercial paper secured by existing values. Under the new system such paper would undoubtedly have preference for rediscount and be purchased at lower rates of interest.

In the explanation which accompanied the bill for the Federal reserve system when it was presented to the House, Chairman Glass offered the following information in regard to the provision as to acceptances:

The fourth paragraph of section fourteen grants permission to reserve banks to rediscount acceptances of member banks which are based on the exportation or importation of goods, to run not more than six months, and bear the signature of one member bank in addition to that of the acceptor, the total of such rediscounts not to exceed one-half the capital of the bank for which the rediscounts are made. In the sixth paragraph, national banks are authorized to accept drafts or bills of exchange drawn upon them to an amount not exceeding one-half of their capital. The acceptance business, which it is thus proposed to authorize, is a new form of business heretofore forbidden to national banks, by reason of the provisions and interpretations of the national banking act, which have forbidden them to lend their credit or incur contingent liabilities thereby. The acceptance form of loan is, however, very common in Europe, and has been found exceedingly serviceable. It is the opinion of expert bankers that it could be applied in the United States to excellent advantage. The following extract from a discussion of acceptances by Lawrence Merton Jacobs explains the method and purpose of the acceptance business:

European and American Methods

"The fundamental difference between European and American banking has its origin in the dissimilarity between the evidences of indebtedness which lie behind the item of loans and discounts. It is most strikingly evidenced in the fact that time bills of exchange form a considerable proportion of the resources of the great banks of London, Paris and Berlin, whereas the assets of leading New York banks are largely based on stocks and bonds.

"Of the bills of exchange in which are employed, either through loans or discounts, the funds of European banks, an essential part consists of what are known as bankers' bills—that is, bills drawn on bankers and accepted by them on behalf of customers in accordance with arrangements previously made. They are bills of exchange for which, by sale to a broker or by discounting at a bank, bankers' customers or those to whom they are indebted may secure immediate credit. In some instances it is arranged that the customers themselves shall draw the bills and in others that the bills shall be drawn by third parties for their account. In granting the accommodation the obligation that the bankers take upon themselves is that they will accept the bills upon presentation. This acceptance consists in the bankers' writing across the face of the drafts the word 'Accepted,' adding their signature and the date. It is in the nature of a certification that the bills will be paid at maturity—that is, a specified number of days or months from the date appearing in the acceptance, or three days later if grace is allowed, as in England. When a banker grants accommodation to a customer by means of an acceptance he may secure himself in various ways. Ordinarily a banker accepts a customer's draft merely upon his general responsibility, the banker's risk being much the same as if he had discounted the customer's note running a certain length of time. Where the customer is an importer the banker ordinarily accepts the draft upon the delivery to him of the documents covering the shipment, which documents he then turns over to his customer against a trust receipt. When a credit of this kind is opened the usual practice is for the banker to require the signature of a form containing an agreement to hold him harmless for accepting the bills, to place him in funds sufficient to pay off the bills three days prior to their maturity, and to pay him a commission on the transaction, this commission varying according to the length of time the bills are to run and the financial standing of the customer. The cost of the accommodation of the customer is this commission plus the prevailing rate of discount for bankers' bills.

Restriction on National Banks

"In the United States the National Bank Act does not permit banks to accept time bills drawn on them. Although the Act does not specifically prohibit such acceptances, the courts have decided that national banks have no power to make them. This restriction has had a very considerable influence upon the development of banking in this country. For some time after the passage of the National Bank Act, merchants and manufacturers provided themselves with funds by discounting their promisory notes with their local banker. Gradually, however, many concerns finding that their needs were outstripping the banking accommodations which they could secure in their immediate vicinity, came to place their notes in the hands of brokers who in turn disposed of them to such bankers as possessed greater surpluses than they could satisfactorily invest at home. It is this method of borrowing which is now largely employed. In other words, the prohibition of bank acceptances has led to the creation of a vast amount of promissory notes instead of time bills of exchange. The difference between these two classes of instruments accounts to a great extent for the difference between European and American banking. In the case of time bills of exchange drawn on and accepted by prime banks and bankers there is practical uniformity of security. In the case of our promissory notes or commercial paper there is no such uniformity, the strength of the paper depending on the standing of miscellaneous mercantile and industrial concerns.

Making a Discount Market

"It is this uniformity of security on the one hand which makes possible a public discount market; it is the lack of it in single-name paper which makes such a market impossible. As a result, we have great discount markets in London, Paris and Berlin, and none in New York. In European centers the discount rate is the rate upon which the eyes of the financial community are fixed. In New York it is the rate for day-to-day loans on the stock exchange. The advantage in character of the one rate over the other clearly indicates an important advantage of European banking systems over our own. In the first place, the European discount rate bears a very direct relation to trade conditions. Its fluctuations depend primarily on the demand for and supply of bills which owe their origin to trade transactions, as balanced against the demand for and supply of money. If trade is active, the supply of bills becomes large, rapidly absorbing the loanable funds of the banks. As these surplus funds become less and less, banks are unwilling to discount except at advanced rates. If trade is slack, less accommodation from bankers in the way of acceptances is required, bills become fewer in number, the competition for them in the discount market more keen, and the rate of discount declines. Low rates are an incentive to business and advancing rates act as a natural check. The New York call loan rate, on the other hand, bears only an indirect relation to trade conditions. Its day-to-day fluctuations register mainly the speculative and investment demand for stocks. Low rates, instead of being an incentive to the revival of trade, are rather made the basis for speculative operations in securities.

"The striking difference, however, between European discount rates and the New York call loan rates is that the former are comparatively stable and the latter subject to most violent oscillations. Foreign discount rates, as bank reserves become depleted, advance by fractions of one per cent. In New York the money rate advances on occasion ten per cent. at a time, mounting by leaps and bounds from twenty per cent. to one hundred per cent. in times of stress."

How the Anglo-French Loan Was Made and Its Effect on Our Foreign Trade

Commission Came Here Ostensibly "To Stabilize Exchange," but Actually to Make a Good Bargain—Sale of Our Securities by Foreign Holders One Answer to the Problem of Settling Trade Balances.

BY I. NEWTON HOFFMANN

WHEN, at the outbreak of the European war, fifteen months ago, the bankers of the United States acted with universal co-operation and promptness in gathering together gold coin for shipment to Ottawa for the account of London, where interest payments on certain American obligations had to be met, it was commonly predicted that not many months would elapse before the precious metal would be shipped back to our shores. It was readily apparent that Great Britain, France and Russia would be obliged to buy supplies in this country, the aggregate total of which was certain to exceed greatly the imports from those nations and that consequently the so-called "balance of trade" would swing a long way in our favor.

Our bankers did not object to the exportation of gold at the commencement of the war because they felt that our debts were payable in gold and if the creditors desired gold they were entitled to it. No matter how great the inconvenience, or how expensive the operation, Americans stood ready to pay their debts in a way which best satisfied their creditors. At the same time they could not help but feel that Great Britain was making a mistake in insisting upon gold payments; and it was manifest that the gold shipments were injudicious from the point of view of international banking and that from a practical standpoint the operation was unnecessary. It was patent to everyone who stopped to consider the situation that it would not be long before British bankers would be sending the precious metal to the States, and that, moreover, Europe would soon be in a position where it would have to borrow funds in the United States in order to meet payments for munitions, foodstuffs and other war supplies that the Allies were buying here in ever-increasing quantities.

Of course the British banks were reluctant to ship gold to the United States. Our bankers, on the other hand, did not press them; first, because gold was not needed here and, secondly, because under the cordial relations existing between the leading American and British banks it was regarded as professionally unfriendly and indiscreet, to say the least, to demand gold shipments in view of conditions prevailing abroad and the eagerness of belligerent governments to conserve their gold supplies.

Fluctuations in Exchange

While American bankers remained silent on the question of gold shipments, the necessity for making transfers of the precious metal from the old to the new world was brought home to the London banks by impersonal fluctuations in exchange rates which continued to move downward, sometimes violently. It required no special banking ability or experience to forecast the eventual establishment of credits here on a large scale, or the undertaking of other means of financing—operations which would provide for the payment of goods sold by manufacturers in the United States to the Allied governments and to merchants located in those countries on a basis of settlement which took into account the exceedingly unfavorable rate of exchange which had developed in the meantime. In other words, there were two interdependent problems which required adjustment; first, the arrangement of a direct loan or credit which would serve as a means for paying for purchases made in the United States; and, secondly, action calculated to reduce as much as possible the disparity of exchange which in its operation militated against British interests by imposing upon them the burden of paying higher prices for goods bought in this country. It was clear that the solution of one problem was really the solution of the other—the two being so closely interrelated.

There was much delay on the part of British government officials and on the part of leading London bankers to take action, and their indecision and procrastination greatly aggravated the situation. Conditions were growing worse every day.

It was not until the latter part of August of this year that it was decided to appoint a commission, composed of British and French government officials and bankers, to visit the United States for the purpose of conferring with American financiers in an effort to make necessary arrangements calculated to stabilize exchange, and to permit, uninterrupted, the progress of this country's export trade which had been developing in magnitude, and in which Great Britain and France were vitally interested because they were purchasers of articles necessitous in warfare. Previous to the appointment of the commission discussion of the problem had been had by cable and by mail through the medium of J. P. Morgan & Co., the American commercial agents of the British and French governments, but the discussions led nowhere.

The Anglo-French Commission

It was on September 10 that the commission headed by Baron Reading of Erleigh, Lord Chief Justice of England, and composed of Sir Edward Hopkinson Holden, Bart., managing director of the London City & Midland Bank, Ltd.; Sir Henry Babington Smith, president of the National Bank of Turkey; Basil P. Blackett, of the British Treasury; Octave Homberg, of the French Treasury, and Ernest Mallet, director of the Bank of France, arrived in New York. They were received by J. P. Morgan and Henry P. Davison, one of his partners. In the afternoon of that day the commissioners were afforded an opportunity of meeting some of the best known bankers of the United States at a reception held in their honor in the late J. P. Morgan's famous library, which had been the scene of notable financial conferences during the trying times of the panic of 1907.

Although the commissioners presumably came to the United States with well defined plans as to what they would try to do and as to what they would seek to obtain, no formal announcement was made of the basis of negotiations. The foreign representatives merely said that they were here to help stabilize exchange—the accomplishment of a work which they insisted was of as much importance to the United States as to Great Britain and France. They took the position that their first task lay in familiarizing themselves with banking sentiment in this country, and that it was essential for them to get the views of American financiers regarding the range of accommodation that they could reasonably ask for with the assurance that their request would not be met with a denial. With this in mind they held daily conferences with bankers of New York and with those from out-of-town.

The commission faced a great many difficulties, among them the lack of a group of American bankers who, in a representative capacity, were in a position to present the American side and tentatively make terms on behalf of their associates. It appears that too much reliance had been placed on Mr. Morgan and his partners. No committee of American bankers was designated but individuals, some selected by Mr. Morgan and others not, visited the commission and presented their individual views and opinions. In that way the commission received the views of many, and while no doubt the expressions of opinion were useful, they could not but confuse the members of the commission and prolong the duration of the preliminary negotiations.

"To Stabilize Exchange"

When the plans began to crystallize the negotiations were carried on by members of the Morgan firm and officers of leading New York national banks and trust companies, which are usually associated with the Morgan house in the flotation of important bond issues.

The euphemistic designation of the object of the commission was "to stabilize exchange," but the problem of adjusting the exchange situation soon resolved itself into negotiations for a joint government loan. The commission naturally was desirous of striking a bargain on terms most satisfactory to Great Britain and France, and it sought to make arrangements which it believed would be adequate for the needs of the two nations.

The commission had not been in New York three days when the information was generally spread that the British and French governments were seeking a government loan of $1,000,000,000, and that they did not propose to pay more than four and one-half per cent. for the accommodation—certainly not more than five per cent., including the cost of underwriting, etc.

Right from the start it was apparent that the loan transaction would be of such magnitude that public support from all sections of the country was imperative to insure its success. The bond issue was to be so large that to distribute it among the investing public would require the aid of banks and bond houses throughout the country. And, finally, the American public, which was unaccustomed to foreign loans of any description, had to be educated and advised as to the purposes of the loan, the benefits that would accrue to the people of the United States, and the absolute safety of the obligation. To accomplish all this "missionary work" had to be done both among the bankers and the general public. The newspapers devoted more space to the loan negotiations than they had ever accorded to any financial event, and prominent display was given to interviews by influential citizens, chief among whom was James J. Hill, the veteran railroad builder, whose views always command attention in the east as well as in the west.

Loan Fixed at $500,000,000

In determining the amount of foreign government bonds which could be successfully underwritten and readily absorbed by the investing public, local bank officials made a careful canvass of conditions. They realized that one of the serious obstacles which they would have to contend with was the propaganda inaugurated by sympathizers of Germany who were sending broadcast all kinds of literature and conducting vigorous campaigns designed to coerce commercial banks in declining to participate in the loan under threat of the withdrawal of deposits. Institutions in Chicago, Milwaukee and St. Louis were particularly annoyed and in a large measure influenced by the activity of the pro-Germans because of the large German-American population in those cities.

It was not long before the commission was informed that the loan could not be for one billion dollars and that the terms of the bond issue would have to be made more attractive. The bargaining progressed for some time until it was finally decided that the issue should not exceed $500,000,000; that the bonds would have to bear an interest rate of five per cent., and be sold at 96 to the underwriting syndicate and at 98 to

the public. It was on September 28—a little over two weeks after the arrival of the commission—that formal announcement of the terms of the loan was made, simultaneonsly in New York and Chicago, in the following statement prepared by Lord Reading:

> The discussions between the Anglo-French financial mission and the American bankers have resulted in the formation of a definite plan for a loan to the British and French governments to be issued in this country on a broad and popular basis. The proceeds of the loan will be employed exclusively in America, for the purpose of making the rate of exchange more stable, thereby helping to maintain the volume of American exports.
>
> The plan contemplates the issue of $500,000,000 five-year five per cent. bonds, constituting a direct joint and several obligation of the British and French governments, as regards both capital and interest. No other external loan has been issued by either of these governments apart from notes of the French Treasury to a limited amount, maturing in the next six months. The bonds will be repayable at the end of five years or convertible, at the option of the holder, into four and one-half per cent. bonds of the two governments, repayable not earlier than fifteen years and not later than twenty-five years from the present time by the two governments jointly and severally.
>
> The bonds will be issued to the public at 98, yielding approximately five and one-half per cent. to the investor. The work of offering this loan will be carried out by a syndicate which Messrs. J. P. Morgan & Co. and a large group of American bankers and financial houses will at once set about to form. Such group will include representatives throughout the country and all members of the syndicate will be on precisely the same footing. This syndicate, whose business it will be to arrange that every investor shall have an opportunity to subscribe to the issue, will contract to purchase the loan from the two governments at 96.

While practically every large bank, trust company and private banking firm in New York City promptly responded by indicating a willingness to participate in the flotation of the loan, Chicago bankers, many of whom had met Lord Reading in a social way, remained passive. There were four reasons for this attitude on the part of the financiers of the great western city: First, because just about the time the details of the loan were being perfected, the British Prize Court rendered a decision, confiscating meat cargoes, valued at $15,000,000, which were the property of Chicago packing interests closely identified in the ownership and control of the leading banks of that city; second, because the banks feared to antagonize the large German population, with its thousands of savings accounts; third, because the western bankers felt that they had been slighted by the Morgan firm by not having been invited to partake in the discussion of terms with the foreign commission; and, fourth, because Chicago bankers, trained particularly in commercial banking, were somewhat disconcerted by the formidable figures of the Anglo-French loan.

To placate the feelings of Chicago bank officers and directors, Lord Reading was prevailed upon by Mr. Morgan to visit the western city after the terms of the loan had been agreed upon in New York. The Lord Chief Justice of England, with some reluctance, consented to make the trip, and in the presence of a large gathering of Chicago bankers formally announced the details of the transaction.

The Morgan firm organized a country-wide syndicate of banks, trust companies and private banking houses, located in sixty-nine cities distributed throughout twenty-eight states of the Union. It was the largest underwriting organization ever created. One of the most remarkable features of the syndicate plan was the decision to permit individual investors, no matter how small, to participate as underwriters. Banks and trust companies agreed to receive underwriting subscriptions from individuals without charge or any remuneration, thus depriving themselves of profits usually made by issuing houses in selling securities to the public.

Among the individual subscriptions the leading manufacturers of gunpowder and war supplies made large commitments, one corporation subscribing to the extent of thirty-five million dollars. There were also several other large individual subscriptions, among them one of $20,000,000; one of $15,000,000 and three of $10,000,000. The bonds were listed on the Stock Exchange and trading was indulged in from the beginning.

Payment in Instalments

In order to avoid disturbance in banking conditions throughout the country which would follow in the event that subscribers were required to make all payments in New York, it was agreed that subscribing banks could, at their option, retain the amount of their subscriptions on deposit to the credit of the two governments. Banks were required, however, to pay two per cent. interest on such deposits. As funds are needed calls will be issued to the depositaries requesting that transfers be made to the National City Bank in New York, where the two governments have opened a joint account for the centralization of deposits. The first instalment of fifteen per cent. is due November 15.

The entire issue was promptly underwritten, many individuals taking advantage of the opportunity of buying the bonds at 96¼—the syndicate price, one-quarter of one per cent. being allowed for advertising and other expenses. The response exceeded all expectations, and on the first payment day more than fifty per cent. of the total issue was withdrawn by the underwriting subscribers. The price to the public is 98, and many of the large distributing bond houses report an excellent demand for the securities in various parts of the country.

When the conclusion of the $500,000,000 loan negotiations was announced, exchange on London rose to $4.73 as compared with the low record price of $4.50 touched during the first week of September. After going up to $4.73 rates steadily declined, falling as low

as $4.60½. Not only was the placing of the loan expected to buoy up exchange rates but British banks continued from time to time to make gold shipments. Ordinarily, the arrival of a consignment of gold has the effect of an advance in exchange rates, but recently the response of the exchange market has been just the other way. The imports of the precious metal for the two months of August and September were in excess of $100,000,000.

So tremendous have our exports been during the current year that both the $500,000,000 loan and the extensive gold imports have been inadequate to readjust the exchange situation. According to the figures compiled by the United States Department of Commerce, the total exports of merchandise for the first nine months of the current year aggregate the stupendous sum of $2,530,525,591—more than $1,000,000,000 in excess of the exports for the same period last year, and an increase of about $800,000,000 compared with 1913. The imports of merchandise, on the other hand, totaled $1,302,206,982 for the nine months, or $107,000,000 less than the imports of the corresponding period in 1914 and a decrease of only about $25,000,000 compared with the first nine months of 1913.

The excess of exports over imports for the nine months amounts to $1,228,318,609, an amount greater by $16,000,000 than the aggregate of "excess exports" for the nine months of six preceding years.

The total imports of gold coin and bullion for the nine months amounted to $265,839,288, against which there must be figured exports of $12,936,680, leaving a total of "excess gold imports" of $252,902,608. With the exception of the year 1911, the Commerce Department's figures indicate that for a series of sixteen or more years the totals for the nine months showed an excess of gold exports, the figure for 1914 being $117,714,832.

The exports of merchandise are so large—shipments of foodstuffs and munitions continue to increase in volume—that the restoration of par of exchange is out of the question for the time being. To bring rates to levels higher than those now prevailing, Great Britain and her Allies will have to sell a great many more securities, ship a great many more cargoes of gold, and arrange for a considerably larger credit with American bankers, and eventually, no doubt, will be forced to float another government loan in the United States.

Italy has already perfected arrangements for the flotation of a $25,000,000 issue of one-year, six per cent. convertible bonds, and the Imperial Russian government is endeavoring to place a loan.

The $500,000,000 Anglo-French loan is being supplemented by the arrangement of a $250,000,000 banking credit, the joint stock banks of London obligating themselves to reimburse American banks which plan to accept commercial drafts up to the amount mentioned. The total is likely to be increased from time to time. It is expected that the London banks will furnish collateral security for the credit, as is customary in such transactions in normal times.

Dollar Exchange

The plans for a banking credit contemplate the introduction of dollar exchange for the settlement of accounts between London and New York. While dollar exchange has been current to some degree in trade with South American republics, and to a small extent in the trade with Greece, it has heretofore not figured in transactions with London.

London bankers will be reluctant to make arrangements contemplating the substitution of the American dollar for the British pound sterling, and the agreement to do so will only be made at a considerable sacrifice of national pride. But conditions brought about by the war are such that matters of pride must, unfortunately, be ignored, and banking transactions fixed on a basis most beneficial to British purchasers of our goods with as little loss as possible by reason of depreciation in the value of the currency of their country.

The opportunities afforded to American banking are peculiarly propitious for placing this country in the financial forefront of the nations of the world. The banks and the people of this country now have the chance to extend their financial interests to foreign countries, to devote their capital not only to upbuilding industries at home, but abroad. The establishment of foreign branches of national banks, which thus far has been limited to one New York institution, is an important contribution to the efforts made for securing for the United States a permanent financial and commercial foothold in foreign lands.

Three Ways to Settle Trade Balances

It is generally recognized that there are three ways of settling international trade balances: (1) the shipment of gold; (2) the sale of foreign securities, and (3) the establishment of credits either by the flotation of government bond issues or by having foreign banks extend accommodations.

Of the three, under present conditions the most desirable from the standpoint of the people of the United States is the sale of American securities. The advance in the prices of our securities has in a measure stimulated foreign liquidation, especially in view of the fact that the sale of securities at the advanced prices, figured in terms of sterling when exchange is so low as it has been, becomes a profitable transaction to the British holder. The inducement to sell at enhanced prices is great and it is estimated that in recent months the weekly sale of our securities by London has approximated from $5,000,000 to $8,000,000.

The estimate, based on official figures, made last June by President Loree of the Delaware & Hudson, placed the foreign holdings of American railroad securities at the end of 1914 at $2,576,400,000. A rough estimate of the holdings of war industrials brought its total to about $3,000,000,000.

Despite the liquidation that has been going on, there is no doubt that the present holdings are still considerable. It is safe to assume that the value of these holdings is not below $2,000,000,000, considering the advance in prices on the Stock Exchange.

In view of the fact that their country is at war and that the United States is enjoying peace and prosperity it is quite natural that corporate and individual investors in Great Britain should hold on tenaciously to their American securities. A great many of them have sent their stocks and bonds to New York banks and trust companies for safe-keeping—the quantity received for such purposes being large enough to indicate that the total holdings must aggregate several billions of dollars in value.

While American bankers and the American people have reason to feel a certain amount of gratification over the fact that this country has become the world's chief financial center—that it is in a position to finance foreign governments of the first rank—the fact remains that it is desirable for us to become the full owners of our property before we invest our funds in foreign countries. In other words, we should do our utmost to compel the people of Great Britain and France to sell us back our securities. It would be wiser for us to buy back our securities and thus supply our customers with funds with which they might buy our grain, cotton and war munitions, than to loan them money on the credit of the nations without any exchange of values.

It is not unreasonable to demand that the governments of Great Britain and France force their citizens to surrender their American securities. The governments can accomplish this by enacting legislation placing a prohibitive tax on the possession of foreign securities. If this means is not productive of desired results, the governments might resort to more drastic measures.

There is a great deal of talk about conscription—compulsion in respect to military service, likely in many cases to prove fatal. The right of the British government to resort to conscription is not questioned. If the arm of government may be used to secure the physical removal of a son or father from a family dependent upon them for a livelihood, why should not that force be exercised for the removal of property in the possession of British subjects, especially under conditions by which owners are financially compensated for the surrender of American securities?

As far as the United States is concerned, the sale of American securities by foreign holders is more desirable than the shipment of gold. At the present time, the gold holdings of the banks of this country are greatly in excess of requirements. Unless proper precautions are observed by those in control of banking funds, there is danger of credit inflation which invariably accompanies accumulation of the precious metal.

While no doubt the best interests of the American farmer and the American manufacturer demanded that Great Britain and France be supplied with the credit they sought, exception must be taken to certain extravagant statements made by James J. Hill and others who tried to convince the people of this country that the establishment of a credit was "of far more importance to the United States than to England." Had the loan not been granted, American trade and commerce manifestly would have suffered by reason of restrictions in purchases by Great Britain and France; but in directing the public's attention to the fact that the lender, as well as the borrower, was certain to profit from the transaction, it is regrettable that Mr. Hill should have made it appear that these nations were buying the products of our fields and factories because of any particular affection for this country, or that they were conferring any special favor upon us by availing themselves of our goods. No matter how cordial the relations may be, neither France nor England would buy a bushel of wheat or a pound of gunpowder in the United States if they could get the necessary quantities any cheaper elsewhere.

WHY THE ANGLO-FRENCH LOAN WAS NECESSARY

FROM THE LONDON STATIST

The reasons for the credit are twofold. First of all, both France and England have become accustomed to purchase large quantities of American goods every autumn, more especially of cotton, and have obtained the funds with which to purchase mainly from the great expenditures of American tourists during the summer and autumn. How great these expenditures are is difficult to estimate. After a careful investigation the writer of this article came to the conclusion that the net sum expended by American tourists was no less than £40,000,000 a year, and that beyond this sum they spend a great deal of money upon the purchase of goods which figure in the trade returns as imports into the United States. For instance, a great deal of American money is spent upon tailoring in London, and still more is spent upon Paris costumes, while the expenditures upon jewelry, furniture and artistic productions of all kinds and descriptions are very large. Probably altogether the expenditures in Europe of American tourists, including goods purchased, is not far short of £80,000,000 a year. This sum, of course, includes the substantial amounts remitted to the American residents in Paris and elsewhere who have now returned to the United States. The outbreak of war has practically

stopped these tourist expenditures, and consequently Europe has not the means of paying for the goods normally bought from the United States to the extent of some £80,000,000 because of the loss of income that has been sustained through the absence of American tourists. Hence, unless America were prepared to purchase securities of one kind or another, either American or foreign, it was obvious that Europe in general, and France, Italy and England in particular, would not have been in a position to purchase the normal amount of goods this autumn which they usually buy from the States. And just when these countries are denuded of a great deal of income and the means of purchasing American goods, they need to buy a much larger quantity than usual. In part this arises from the closing of the Dardanelles, which prevented Russia from exporting her food supplies, and had made the consuming countries more dependent than ever upon other food-producing nations, so that the demand for American productions became greater than usual, while their means of paying for imports became reduced. These considerations are altogether apart from, and distinct from, the purchase of munitions of war in the United States.

It was necessary for France and England either to borrow in the United States or to sell American securities in order to obtain the means of purchasing the great quantities of food and raw material they need for their sustenance. The joint loan of £100,000,000 arranged for by the commission is no more than is required for this purpose. How the Allies will finance their purchases of munitions is another matter. Presumably the supplies of ammunition will be paid for by sales of American securities.

INVITING THE STATE BANKS TO COME IN

In line with his propaganda, recently inaugurated, against alleged high interest rates charged by national banks, Comptroller Williams has issued a circular to all national institutions calling their attention to the statute in such cases made and provided. He says:

The attention of your officers and directors is called to the oath which was signed by each director upon his qualification in which he solemnly swore as follows:

"* * * I will, so far as the duty devolves on me, diligently and honestly administer the affairs of said association; that I will not knowingly violate, or willingly permit to be violated, any of the provisions of the statutes of the United States under which this association has been organized. * * *"

Your attention is called to section 5,197 of the Revised Statutes of the United States, being part of the national bank act, which provides that a national bank—

"May take, receive, reserve and charge on any loan or discount made, or upon any note, bill of exchange, or other evidences of debt, interest at the rate allowed by the laws of the state, territory or district where the bank is located, and no more, except that where, by the laws of any state, a different rate is limited for banks of issue organized under state laws, the rate so limited shall be allowed for associations organized or existing in any such state under this title.

"When no rate is fixed by the laws of the state or territory, or district, the bank may take, receive, reserve or charge a rate not exceeding seven percentum, and such interest may be taken in advance, reckoning the days for which the note, bill or other evidence of debt has to run. * * *"

This office regrets to report that the sworn statements of condition of a great many national banks show that section 5,197, U. S. R. S., against usury, has been grossly violated by these banks.

You are respectfully advised and admonished that this provision of the national bank act should be faithfully observed by all national banks, their officers and directors, in accordance with the solemn oaths taken by the directors.

You are requested to read this letter at the next meeting of your board of directors, and to have it inscribed upon the minutes, and to send a copy of this letter to every member of your board who may not be present at such meeting, with the request that he promptly acknowledge its receipt to you.

Within thirty days after your next board meeting, and not later than December 20, 1915, you are requested to send to this office letters from all members of your board who may not have been present at the meeting at which this letter is read, acknowledging the receipt by each absent director of a copy hereof, together with a certified extract from your minutes, showing that this letter has been read to your board and giving the names of the directors present at the meeting at which it is read.

REGIONAL BANKS NOT MENTIONED IN THE LAW

The third paragraph of the Federal Reserve Act reads as follows:

"The terms 'national bank' and 'national banking association' used in the act shall be held to be synonymous and interchangeable. The term 'member bank' shall be held to mean any national bank, state bank or bank or trust company which has become a member of one of the reserve banks created by this act. The term 'board' shall be held to mean Federal Reserve Board; the term 'district' shall be held to mean Federal reserve district; the term 'reserve bank' shall be held to mean Federal reserve bank."

In many communications to the Journal-Bulletin it has been suggested that the term "regional bank" has no significance; the banks are properly described by the legal designation "reserve banks" and they are located in "districts."

Wisconsin's Experiment in Applying Its Rural Credits Law

Experience in That State Has Shown That a Rural Credit Law May Serve Well in the Development of New Land—Bankers in Wisconsin Have Joined in a Co-operative Arrangement for Making Agricultural Loans and Marketing the Bonds That Arise from Them—It Has Been Found That the Investing Public Thinks Well of Such Bonds.

BY H. J. DREHER

Of Marshall & Ilsley Bank, Milwaukee, Wis.

IT will undoubtedly be generally conceded that any body of law or any system created or devised for purposes of more adequately satisfying the needs arising from the increasingly important matter of rural credits must take full cognizance of the following essential considerations:

1—Varying local conditions and traditions.

2—The utilization in fullest degree of existing institutions, directly or indirectly, connected with credit and its extension.

3—The creation of governmental agencies only as they become necessary to supplement or render more effective existing systems.

4—The interference by governmental agencies with individual enterprises in minimum degree, and the utilization of governmental funds only in cases of absolute and final necessity.

5—The duplication of governmental agencies created under Federal and state enactment.

These essential considerations will be treated from the standpoint of practical experience, the surest demonstrator of the worth of theories and legislative enactments.

Wisconsin is a typical agricultural state. Its population consists of approximately 2,500,000 people. In the state there is but one city of the first class, that is, a city with a population of 100,000 or over. This city is Milwaukee, the metropolis of the state, with a population of about 410,000 people, the largest part of which derives its living from the industries which flourish in the city. Outside of Milwaukee there are only eight cities with a population of 20,000 and over. All other organized communities are small cities and villages of varying populations, none exceeding 20,000 people.

The southern part of the state is most populous and oldest in settlement. The farms in that section are well cultivated and of great value. The northern part of the state is sparsely settled. It consisted at one time of forests which made the business of lumbering very profitable for many years. The cut-over lands are now being utilized for agricultural purposes. The land is rich and fertile, and climatic conditions and soil make the region exceptionally well adapted for dairying uses. This cut-over land is rapidly being settled and developed, and consequently the problem of credits has become acute and important in that section of the state.

The farmers in the southern part of the state are prosperous and bank deposits reflect that prosperity. Credit at fair rates of interest is easily obtainable in the southern part of the state. The banks are capable of making necessary loans. Where they are not, private investors supply the needed funds. In the north accumulated wealth is very much less in amount, and the loanable funds of banks are quickly exhausted. The choicest mortgages on well developed farms in the north region are purchased by private investors or taken by banks in cities or in the southern part of the state.

The settler on cut-over lands is usually an immigrant or a farmer who is moving onward towards cheaper land. His supply of capital is limited. He is industrious, and so are all of his family. Intense physical labor works wonders with his land in a short time. Then comes the demand for tools and stock and better buildings. After three years his land is usually capable of bearing a mortgage. Time is a great factor in the repayment of the loan, and from ten to twenty years is the time which such a loan ordinarily runs before final payment. Obviously such a loan is not in strictest sense a bankable one, nor can a bank take, in accordance with best banking practice, a loan which is amortizable over a period of twenty years.

Legislative Action

To meet this situation the legislature of Wisconsin in its 1913 session enacted a land mortgage association law, which in its substance provides as follows:

1—As to the organization of land mortgage associations.

(a) Land mortgage associations, with capital stock of not less than $10,000, distributed among not less than fifteen stockholders, are created for the sole purpose of loaning money to farmers for the improvement and development of Wisconsin farms. An ultimate reserve of twenty per cent. of the capital stock is required.

(b) The direction of these associations vests in a board of trustees, and provisions are made for a loan committee and an auditing committee. The auditing committee is elected by the stockholders and may

suspend any trustee, officer or member of the committee on loans. The commissioner of banking has the right to attend all meetings of trustees, loan and auditing committees.

(c) All by-laws for the government of these associations and under which the details of business are transacted, must be approved by the commissioner of banking.

(d) The associations are regularly examined by examiners of the banking department and a double liability attaches to the stock.

2—As to mortgages securing bonds.

(a) The form of mortgages and bonds is approved by the commissioner of banking and the attorney general of the state.

(b) Each mortgage must be a first lien upon the whole and undivided fee of property in Wisconsin, and must contain provisions for proper soil conservation, for the annual or semi-annual reduction of the principal of the mortgage, and for the payment of all taxes by the mortgagor and insurance against loss by fire, tornado and lightning. No mortgage shall exceed sixty-five per cent. in value of improved and forty per cent. in value of unimproved land and shall not exceed in amount fifteen per cent. of the capital and surplus of the association.

(c) Each mortgage must contain a provision that money loaned for purposes of erecting new buildings shall be expended under the control of officers of the land mortgage association.

(d) When property is transferred, the new owner assumes by law the obligations of the mortgage.

3—As to valuation of lands.

(a) Valuation made by two appraisers, residents of the same place as the borrower, chosen by said borrower.

(b) Valuation of appraisers must be certified by assessor of incomes, a state official, as being not in excess of true market value.

(c) Appeal on appraised value may be made to state tax commission.

All mortgages taken under the provisions of this law against which bonds are issued must be pledged with the state treasurer of Wisconsin, who holds them, or like securities of equal value, during the life of outstanding bonds.

The total amount of bonds outstanding shall at no time be greater than the amount due on the mortgages pledged, plus any additional deposited security, nor shall it at any one time exceed twenty times the amount of the capital and surplus of the association.

The borrower shall pay periodically the following amount:

1—Agreed rate of interest.

2—An allowance for the expense of the land mortgage association in an amount not exceeding one per cent. annually of the face of the loan.

3—A payment to be made annually or at more frequent designated intervals upon the principal, of not less than one per cent. of the original amount thereof.

Legal Investments

All bonds issued under this law are legal investment for savings banks, trust companies or other financial institutions, and also for trustees, executors, administrators or custodians of public or private funds. Bonds bear the certification of the commissioner of banking as to a full compliance with the law. They are issued in denominations of $100 and $500, and bear five per cent. interest.

Under this law two associations have been formed and are in successful operation. Both are owned by men connected with banking interests, and both are situated in cities which are tributary to cut-over land, and are headquarters for the sale of same. The loans which have thus far been made are of the most conservative kind, the mortgages not exceeding forty per cent. of the value of the property mortgaged. Approximately $100,000 of bonds have been marketed. These have largely been purchased by investors in Milwaukee. The bonds are eagerly sought. Entire issues are sold long before they have been delivered. The investor realizes their strength, and their issuance under state supervision adds to their ready salability. Caution has been exercised in the issuance of these bonds and likewise in their marketing. There is little doubt but that extensive advertising and a popularization of the bonds would create a demand for them beyond the possibility of supply.

In these associations there are no great number of employees, no heavy expenses to pay. Consequently there are no loans made which are impelled by necessity or an eagerness for profit. Loans are made under the most advantageous conditions, the necessities of the borrower alone determining the need and the amount. Conservatism dominates. The sense of responsibility in the trustees, the exercise of a judgment quickened by a sense of individual and pecuniary interest which produces the best of judgments, insure safety to borrower and investor alike. The interference of the state is but slight, the activity of its officers being exercised only for the safeguarding and timely examination of funds and securities.

From the standpoint of the borrower the system is admirable. The settler is usually accustomed to amortized long-term mortgages by reason of his experience with similar institutions in other lands. He knows he is dealing with men who have a personal pecuniary interest in the funds which they loan and which he desires. He knows that energy and the results which are only produced by hard and intelligent labor in the development of his land will alone enable him to get the funds necessary to make desired improvements or acquire needed additions. This is an incentive of inestimable value in the development of new lands.

The Question of Interest

The rates of interest which he pays are fair and equitable. In a new or undeveloped community where risks are naturally greater and where payments are oftentimes slow and extended over long periods of

time, interest rates are higher than those which prevail in older established rural communities or industrial or trading centers. And let it never be forgotten that interest rates are oftentimes the greatest conservators of sound economic conditions and that low interest rates even in communities where accumulated wealth is not great are not without danger, and oftentimes distinctively detrimental. The rates which the borrower pays in Wisconsin under the system of rural credit in operation are six per cent. with three-quarters of one per cent. expenses in one section and six per cent. with one per cent. expenses in the other. These rates are equitable and without hardship to the borrower, and the commission is undeniably reasonable.

Unless facts deduced from an operation of the act extending over but a comparatively brief period of time are proved to be inaccurate, no problem will arise by reason of an inadequate supply of loanable funds. As already indicated investors in cities are keen to purchase the bonds issued under the act. By reason of the fact that the bonds are a legal investment for trust funds great care is necessarily exercised to insure utmost safety. Such care results in conservatism being exercised in the making of loans to settlers and farmers. Conservatism is of equal benefit to the borrower and to the lender. No settlement of lands is without some element of danger by reason of potential problems which arise immediately when virgin soil is made productive. An unlimited supply of loanable funds creates a condition the direct result of which is abnormal borrowing. Abnormal and facilitated borrowing creates a spirit of recklessness. The inevitable result of recklessness either in borrower or lender is land speculation and inflated prices. These can only spell disaster, for borrowed money must ultimately be repaid, and the land in the last analysis must carry the payment. If loans have been made under a condition of inflated land values, then it is inevitable that loss and economic waste will occur.

Experience has demonstrated that the final occupant of new lands is the third settler. Before him two have labored and made their contribution to development. Each has, under a system of development economically sound, advanced the condition in which he found the land. Each successive settler on land must be dealt with in a manner different than that used with those who preceded him. The whole purpose in the extension of credit, in our present state of development with virgin soil comparatively plentiful, must be to insure the complete development of the land by the ultimate settler in such manner that it shall be productive in highest degree and shall have been brought to that state of development without intervening economic loss and capital destruction. Will not a system, founded on well tried principles of banking and utilizing in fullest degree individual judgment and the accumulated funds of individuals, in most instances adequately meet the needs which have thus far arisen and which will arise for an indefinite period of time in the matter of the problem known as rural credits?

What the Bankers Are Doing

Supplementary to the state controlled system of rural credits, the bankers of Wisconsin have organized an agency which is doing a splendid work for the farmer in his credit operations. A corporation with a capital stock of $100,000, known as the Wisconsin Mortgage & Securities Company, has been created under the laws of the state. All of its stockholders are bankers, as are likewise all of its officers and directors. Through the various banks of the state mortgages are acquired by the company, which are in turn placed with a trustee under an indenture of trust, and bonds in convenient denominations issued against such mortgages. These bonds likewise are a legal investment for trust funds.

By this method of operation the judgment of country bankers, well versed through daily operations in estimating the value of mortgage loans, is utilized in fullest degree, and a market is made for mortgages among investors which could in no other way be made. This is of inestimable value to country bankers, for by it funds ordinarily placed for long periods of time in mortgages are released and are utilized again and again for the extension of credit to farmers for improvement and development purposes. These bonds have been readily sold, and the demand has exceeded the supply. It is natural that this should be so, for these mortgages are taken from every section of the state, and are taken from bankers under a written guaranty when acquired that if upon inspection they do not meet with the approval of the proper officers of the Wisconcin Mortgage & Securities Company they will be returned to the bank from which they came.

This company is a bankers' company dealing in its purchasing operations entirely with bankers and selling the best of securities to investors. It is a valuable adjunct to any system of rural credit, for it utilizes the accumulated resources and experience of bankers in an entire state. A plan is now being considered whereby similar companies, which can readily be organized in states contiguous to each other in geographical situation, can pool their resources and maintain a common selling agency. This will release for investment, in securities of this kind, great sums of accumulated capital, the volume of which may alone be sufficient to provide all necessary funds required in the operation and development of agricultural communities.

A Matter for State Action

The experience in Wisconsin has almost conclusively demonstrated that there vests in states, and in the present existing banking institutions of states, sufficient power to solve without Federal government aid and the utilization of Federal government funds, the credit problem existing at the present time. Should the Federal government create under law another rural credit agency, it will, in large measure, duplicate agen-

cies already existing or capable of being created, and, where existing, adequately serving the needs of those for whom they function. Any legislation on rural credits which will provide for the use of Federal government funds is at the present time unnecessary and may result in disaster, and rather than advancing the solution of the problem may retard progress in such a way as to be positively detrimental.

It has never been denied that in meeting the problems of credit the banks of the nation have only needed legislation which would enable them adequately to use all their inherent and reserve powers. There is no doubt that in the Federal Reserve Act such legislation is to be found. Until the problem of rural credits has been more deeply investigated and its needs studied, is it not wisdom that the states, under their almost unlimited power, should create banking institutions capable of meeting present credit demands, and that the bankers of states shall supplement such legislation by such individual action as above noted.

The systems of rural credit in the old world are scientific and have performed a tremendous function in the advancement of the nations for whose welfare they have been created. It must never be forgotten, however, that America is comparable to no nation in Europe in its needs and in its problems, and that the American banking system is unique and distinctive in its every aspect. Before the experiences and the systems of other lands are adopted here, why not try to adapt our own peculiar system to our own peculiar needs, and then if it be found wanting, remedy its defects by enacting legislation which will enable it to meet every problem which shall arise in the natural course of progress.

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MEETING OF FARM MORTGAGE BANKERS

The second annual convention of the Farm Mortgage Bankers Association was held at St. Louis, Mo., October 7 and 8, with about 200 delegates present. While business was the prime factor, the social features were not neglected, and a most enjoyable banquet and smoker were held.

President F. W. Thompson of the Merchants Loan & Trust Company, Chicago, presided, and after the usual reports and annual address of the president the meeting was thrown open for speeches and discussions, which were short and practical. All sides of the rural credit problem were presented. The program of the second day was arranged in a similar manner to that of the first day, and the interest of those present was maintained from start to finish.

The report of Secretary H. M. Hanson showed a membership of 112 companies in twenty states—an increase of fifty-eight in one year. He said that the membership had been encouragingly responsive to the appeals of the secretary's office for co-operation, and this fact was largely responsible for the prosperous condition of the association.

Herbert M. Morgan, of St. Louis, acted as toastmaster at the banquet, and the speakers were Dr. John Lee Coulter, dean of the Agricultural College of West Virginia, who spoke on "State and Farm Credits," and C. W. Thompson, of the United States Department of Agriculture, on "Farm Mortgage Credit in the United States." A delightful twenty-mile motor trip was taken out into the Ozark country on the evening of the second day, where the smoker was held at the Sunset Inn Country Club.

The addresses at the convention were as follows: "The Country End of the Farm Mortgage Business," H. S. Van Alstine, of Gilmore City, Ia.; "The Federal Reserve Bank and Farm Credit," William McC. Martin, of St. Louis; "Affiliation of State Associations," H. S. Merrick, of Ottumwa, Ia.; "A Central Selling Organization," L. W. Clapp, of Wichita, Kan. "What the Farmer Wants" was the subject of a symposium and was covered by "A Nebraska View," by Peter Jansen, of Beatrice, Neb.; "An Alabama View," by Mrs. G. H. Mathis, of Gadsden, Ala.; "From the Agricultural Press," by Henry Wallace, and "The Educator's View," by Prof. P. G. Holden.

The election of officers resulted in no changes except on the board of governors, and was as follows: President, F. W. Thompson, Merchants Loan & Trust Company, Chicago; vice-presidents, Kingman N. Robins, Associated Mortgage Investors, Rochester, N. Y.; O. M. Corwin, Wells & Dickey Company, Minneapolis; J. E. Maxwell, Maxwell Investment Company, Kansas City, Mo.; secretary-treasurer, H. M. Hanson, Chicago. Board of Governors—F. S. Gum, Oklahoma City; R. O. Deming, Oswego, Kan.; George L. Ramsey, Helena, Mont.; Edwin Chamberlain, San Antonio; Levering Moore, New Orleans; J. W. Wheeler, St. Paul; H. W. Johnson, Sioux City, Ia.; Conner Malott, Spokane; M. M. Sessions, Marietta, Ga.; R. C. Peters, Omaha; L. W. Clapp, Wichita, Kan., and J. B. Walton, Butler, Mo.

New York Land Bank Has Not Yet Made a Loan, but Hopes to Do It

Established Last January as a Plan to Settle the Question of Rural Credits It Has No Home, No Resources Available and Only One Farmers' Loan Society Is a Member —The Land Bank Was Much Discussed and Great Promises Were Made in Its Behalf.

BY WALLACE BENEDICT

THE Land Bank of the State of New York, incorporated last spring after volumes of heated discussion in granges and savings and loan societies, after weeks of foot-sore lobbying in the corridors of the State Capitol—the Land Bank, hope of the home-builder, emancipator of the farmer, is today harder to locate than the abode of an Italian immigrant fresh from the steerage. It is not mentioned in the telephone directory; in fact, it has no telephone. The police department can give no help because it is too young to have been in jail.

A truly persevering person, however, can run the elusive creature to cover. I found it listed in the American Bankers' directory as follows: Land Bank of the State of New York, E. F. Howell, managing director, 61 Broadway.

Hurrying to 61 Broadway, I found that the State Banking Department had offices there, and as the Land Bank was not listed, I took the elevator to the Banking Department.

Yes, the usher had heard of the Land Bank and of Mr. Howell. No, they had no offices here, but he thought Mr. Howell worked for the Western Union Telegraph Company and could be found at 16 Dey street. No, I couldn't use the 'phone to call up Mr. Howell; that would be a violation of section 6, chapter 37, of the state banking law, series 1913—or some such thing.

So I plodded my way north in maddening Broadway to Dey street, turned in at number 16 and was told by the elevator starter that Mr. Howell was to be found in a room on the third floor, first turn to the right, just beyond the barber shop.

Arrived at the room, a woman clerk answered me through a little brass grating, the kind they have in branch post-offices in city drug stores.

"Mr. Howell is out at lunch, but I expect him in soon because he has promised to relieve me."

So I sat down to wait, glad of the cool and quiet of the little office.

The inscriptions on the door caught my eye:

Room 301.

Telegraph and Telephone Life Insurance Association.

Serial Building Loan and Savings Association.

Gold and Stock Life Insurance Institution.

New York Telegraphers' Aid Society.

There were three employes in the room, a man and two women. Evidently the return of the chief would complete the staff of four.

Four people, four associations, I thought. Oh no, five associations. Don't forget the Land Bank, even though its name is not gilded on the door. So this is the little laboratory in which the managing director of the New York Land Bank worked out his experiments and gained the experience to guide this enterprise of larger importance to which he is now committed.

Mr. Howell came in.

He is a man of about sixty, simple mannered and kindly. I asked him many questions. He replied patiently, without evasion, and with no sham front of great deeds done.

Defining "Land Bank"

Before getting into a discussion of the perplexities of the New York Land Bank, the term "land bank," in its theoretical significance at least, should be defined.

A land bank is simply a device for getting city money to the farmer via the farmers' savings and loan associations or similar bodies.

The farmer borrows of the association, giving a mortgage as security. The interest rate is equitable and fixed, and a gradual amortization of the debt is provided for in the computing of the semi-annual payments.

The association, standing alone, would have to derive its funds for such loans from membership dues solely. A few loans then would use up its cash resources.

Now in comes the Land Bank's principal function.

The individual members of one of the local savings and loan associations indorse a handful of mortgages, bundle them up and send them off to the Land Bank as security on which they borrow more money to loan out to the farmers in the neighborhood, and so on until the country-side is resplendent with red barns and tall silos and granaries and all the other external evidences of efficiency and prosperity.

Money must now be raised by the Land Bank to replenish its coffers. So against the mass of gilt-edged personally indorsed mortgages in its vaults it issues debentures, Land Bank bonds, sells them—and *voila!*—the chain is complete and city money is financing farm enterprise.

Mr. Howell Explains

"The Land Bank of the State of New York," said Mr. Howell, "was created by law December 14, 1914, and one month later, January 29, the necessary amount of capital stock had been subscribed and paid in and the bank received its authorization to begin operations. There are forty-one subscribing savings and loan associations, with assets of approximately twenty million dollars.

"We have proceeded slowly and cautiously in the administration of our affairs because what we are doing is absolutely without precedent in America, and we do not wish to hurry into any blunders that will later have to be undone.

"Our attorneys are working on the wording of the security to be issued, and the Guaranty Trust Company will, it is hoped, underwrite our initial issue of Land Bank bonds, $50,000 in amount, as soon as a satisfactory form has been agreed upon by all the parties to the transaction."

The men who have fought for the success of the Land Bank since its creation have had no easy task, thanks to blundering legislation. The Land Bank Act authorized a start with $100,000 capital, but no surplus. Stock subscriptions by forty-one savings and loan associations settled the question of authorized capital but did nothing toward putting the business in motion, for it is provided that the capital cannot be loaned but must be held in reserve against some distant rainy day. Neither can it be spent, of course. So here you have the spectacle of a bank with $100,000 paid-in capital but without the price to rent a room and start business.

Promises to Pay

Hampered as they were for lack of a working surplus, the directors planned to make promises to accept mortgages tendered them by the subscribing members, agreeing to tender cash in return for these mortgages at some date in the near future. It was anticipated that when a respectable quantity of these obligations had accumulated, the Land Bank could issue debenture bonds against them and with the proceeds of these bonds make good their agreements to loan. A tiresome, clumsy process this, to be kept up until the microscopic margin between income and out-go, between the five per cent. received from the savings and loan societies on loans and the four and one-half per cent. interest to be paid out on debentures, has gradually accumulated into a working surplus.

Lack of Borrowers

But to do business you must find someone who wants your goods.

Things turned out as planned, except that few of the local societies seemed to care to borrow. Each apparently had money enough to meet all the demands of its individual members and only now, after eight or nine months of corporate existence, is the first round-up to occur. The first $50,000 worth of debentures are to be sold to meet the accumulation of requests for loans.

Selling the debentures at four and one-half per cent. was no easy matter, acording to Mr. Howell. When so many fine securities pay five per cent. or more, underwriters don't care to experiment with a four and one-half per cent. issue backed by a credit fabric new to the public. The purchase of the first $100,000 is assured, however, Mr. Howell said.

Not Rural Credit

Other sources of dissatisfaction lurk in the present status of the Land Bank and its subscribing members, the savings and loan associations. One is the fact that the scheme which was to solve the rural credits problem is not a rural land bank at all. It is almost a purely urban institution. It has only one farmers' loan society to forty urban loan societies.

The bank was organized to divert urban capital to the country, to enable the farmer to finance his operations economically. It has failed in that object so far because there are no farmers' loan associations to act as go-between from Land Bank to individual farmer. Furthermore, its usefulness to urban savings and loan associations has been far from startling for the simple reason that the urban associations have needed little help.

Time, let us hope, will do much for this ill-nurtured child. Time and patience and economy will gradually bring enough surplus to permit of a steady flow of business transactions even though small ones. Time also will see the formation of savings and loan associations by farmers and the gradual acceptance of the Land Bank and its facilities. Let other states before they enact land bank laws see to it that the good word has been spoken throughout the land, that the farmers' savings and loan associations are numerous, and that there is a real understanding and a real demand preceding the creation of the land bank machine.

OFFICIAL NOTICE.

OCTOBER 1, 1915.

Statement of the ownership, management, etc., of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, published monthly at New York, N. Y., required by the Act of August 24, 1912.

Editor, ARTHUR D. WELTON, 5 Nassau Street, New York, N. Y. Business Manager, A. D. WELTON, 5 Nassau Street, New York, N. Y.
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(A voluntary, unincorporated association of 15,000 bankers; JAMES K. LYNCH, First National Bank, San Francisco, Calif., President, and FRED. E. FARNSWORTH, 5 Nassau Street, New York, N. Y., General Secretary.)

Known bondholders, mortgagees and other security holders holding 1 per cent. or more of total bonds, mortgages, or other securities: (If there are none, so state): NONE. (Signed) ARTHUR D. WELTON.

Sworn to and subscribed before me this 20th day of September, 1915.

(Signed) HERRICK J. SKINNER, Notary Public, Bronx County, No. 60.
Certificate filed in New York County, No. 429, New York. (My commission expires March 30, 1917.)

BRANCH BANKS IN FOREIGN COUNTRIES AS VIEWED BY BANKERS AND POLITICIANS

Since opportunities for the extension of trade in foreign lands, and particularly in South America, became apparent there has been continued insistence from those politically and academically interested that the banks of the country establish branches abroad. It has been regarded as axiomatic that trade could not be created and developed by orderly processes unless the banks paved the way. The argument that business creates banking has been brushed aside as having no weight under existing circumstances. Impetus has probably been given to the academic movement by the foresightedness and farsightedness of the National City Bank of New York. This bank of unusual resources has evidently decided that the future of this nation's business with South America warrants the expenditure and the investment it is making there. It seems unnecessary to cite the truism that banks are money-making institutions and prospective profits are the basis of the impulse to an extension of investment. The nearness of the profits is a matter of first importance. The matter of investment would naturally depend on the quality of the vision of the prospective investor. If the profits are within sight the investment would be more readily made. From the banking viewpoint profits are apparently not yet within sight.

On October 7 last the matter of branch banks in foreign countries was given new interest, if not new impetus, by a letter from President Wilson to Secretary of the Treasury McAdoo. In this letter the President, referring to Mr. McAdoo's report on the Pan-American Financial Conference and the suggestion there made that the Federal reserve banks join in establishing branches in South American cities, said the suggestions met his "entire approval," and added: "I sincerely hope that it will be possible to carry out so promising a plan. It ought to be fruitful of most desirable results. May I suggest that you bring the question to the attention of the Federal Reserve Board and enlist, if possible, its co-operation."

Secretary McAdoo sent a letter to the Federal Reserve Board, enclosing the President's letter to him. To the Board Mr. McAdoo wrote:

> Permit me to submit for your consideration the enclosed copy of a letter from the President addressed to me under date of October 5, 1915, in which he expresses his approval of the suggestion made in my report to him on the Pan-American Financial Conference, that the Federal reserve banks establish joint agencies in the leading cities of Central and South America. You will observe that the President suggests that I bring the matter to the attention of the Federal Reserve Board and enlist, if possible, its co-operation. I hand you herewith copy of my report to the President on the Pan-American Financial Conference, dated September 6, 1915, and shall be very happy, indeed, if you will give the President's letter and the report in question such consideration as you deem the subject merits.

Powers of Reserve Banks

The Federal Reserve Act empowers each Federal reserve bank "to open and maintain banking accounts in foreign countries, appoint correspondents and establish agencies in such countries wheresoever it may deem best" for the purpose of dealing in bills of exchange. The consent of the Federal Reserve Board is necessary before such authorization may be acted upon. The initiative, however, under the law lies with the Federal reserve banks and not with the Federal Reserve Board. In this respect the power to begin is in exactly the same position as in other matters referring to banking power. In only two cases is the Federal Reserve Board given anything but supervisory powers. It may, by affirmative vote of at least five of its members, require the reserve banks to rediscount the paper of other reserve banks, and it may suspend reserve requirements. In all other cases which involve the exercise of banking discretion or which involve the ordinary operation of banking functions the power lies with the directors of the reserve banks.

Analysis of the suggestion in the report of Secretary McAdoo, in the President's letter to him and in his letter to the Federal Reserve Board, indicates a belief or forces the inference that the Federal reserve banks are, in fact, government institutions and subject to the direction of a government board. Nothing is farther from the truth. Nevertheless the belief that the banks are government institutions is extensively indulged. The letters of President Wilson and Secretary McAdoo will not impair this belief. There have been other contributions to it. The letter of criticism of the Minneapolis Reserve Bank, written recently by John Burke, Treasurer of the United States, indicated his belief that the reserve banks are government institutions. There are bank officials who seem to think the reserve banks are government concerns and dispense government funds in emergency. This belief has been encouraged by Secretary McAdoo's several statements that treasury funds would be at the disposal of the reserve banks if they were needed and his various promises and performances as to moving the crops and coming to the rescue of everybody in general in case of financial distress. What conclusion could a lay reader gather from President Wilson's letter recommending the establishment of foreign branches of the reserve banks except that the President had something besides moral influence in the premises? Would the public gather from the correspondence sent by Secretary McAdoo to the Reserve Board any other idea than that the Reserve Board had the power to order the establishment of such branches, and that the President and Secretary of the Treasury were recommending

that the power be exercised! In a recent article on this subject in the *New York Times* it was said:

> While Secretary of the Treasury McAdoo suggested that the law might be amended in such a way as to permit the Federal reserve banks to engage in foreign fields, other persons, qualified to express an opinion, said that these banks being in an especial sense government institutions, it seemed questionable whether they legitimately could promote individual export business.

Are the Banks Government Institutions?

In the report which Chairman Glass, of the Banking and Currency Committee, presented with the bill to the House of Representatives he said:

> In order to meet the requirements of foreign trade, the committee recommend that the power to establish foreign branch banks shall be bestowed upon existing national banks under carefully prescribed conditions, and that Federal reserve banks shall also be authorized to establish offices abroad for the conduct of their own business and for the purpose of facilitating the fiscal operations of the United States Government,

and

> it is proposed that the government shall retain a sufficient power over the reserve banks to enable it to exercise a directing authority when necessary to do so, but that it shall in no way attempt to carry on through its own mechanism the routine operations of banking which require detailed knowledge of local and individual credit and which determine the actual use of the funds of the community in any given instance. In other words, the reserve bank plan retains to the government power over the exercise of the broader banking functions, while it leaves to individuals and privately owned institutions the direction of routine.

News of Reserve Board

The Federal Reserve Board did not take kindly to the suggestion of Secretary McAdoo, and in discussing the subject it did not go into the matter of its own power over the establishment of foreign branches by the reserve banks. It referred to the report of one of its committees to which had been referred the subject of banking relations with South and Central American countries. This committee reported that the Federal reserve banks—being the custodians of the reserve money of the member banks—should not be permitted to do pioneer work in Latin American countries. The committee stated generally that the banks or branch banks in foreign fields should "have the widest possible range of activity in order to be able to compete with the local banks and the branches of the foreign banks already established in these fields." The committee favored an amendment of the Federal Reserve Act which would enable member banks to co-operate for the purpose of jointly owning and operating foreign banks. The Secretary of the Treasury, it was reported, concurred in the views of the Federal Reserve Board, which promised a final report early in November "after recommendations shall have been received from the conference of governors of Federal reserve banks, which is to take place in Minneapolis on October 20, and the conference of Federal reserve agents, which is to take place in Washington on November 4."

In this statement of the Federal Reserve Board is found the first information as to the origin of the suggestion that member banks of the Federal reserve system be allowed to co-operate in establishing branches abroad or to combine for that purpose. There have been many discussions of this plan in newspaper articles in which there was always vague reference to "a movement among banks," and equally vague allusions to the bankers who were interested. In these articles, when names were used, they were almost invariably those of men connected with government departments or bureaus in Washington.

Bankers and Foreign Branches

In an effort to ascertain the views of bankers in various parts of the country as to the proposed amendment to empower member banks to combine for such purpose, queries were sent out by the Journal-Bulletin and interesting replies were received. The president of a Baltimore bank said that personally he was in favor of such an amendment because he believed it would open possibilities to certain banks, although he had no way of judging whether or not advantage would be taken of the power to combine for this purpose. "Expressing a purely personal opinion on the subject, I do not believe it likely that the banks here will desire to establish foreign branches."

From Boston came a reply that while the matter had been discussed by some of the Boston banks the discussion could not be called serious. The opinion was expressed that when the proper time comes there would be approval of the amendment in Boston and the banks there would likely subscribe to some extent to the stock of a foreign bank.

From Ohio came a report that the matter had been discussed to some extent in that state and that the discussion had been promoted by suggestions from Chicago. John Barrett, secretary of the Pan-American Conference, spoke on the subject at the meeting of the Ohio Bankers Association, as did also W. S. Kies, manager of the foreign trade department of the National City Bank of New York. The opinion was expressed that not many Ohio banks would be interested in branch banks in South America.

From Pittsburgh it was reported that there had been no discussion of the matter.

From Chicago it was reported that the banks were not particularly interested. The banks there had never branched out. "Banking," it was said, "follows the requirements of business, and there would be no necessity for any extension of foreign banking development until trade has been so extended as to demonstrate the need of banks. It seems to me," continued the writer, "that it would be a much wiser thing to form a corporation of North and South American concerns for the purpose of developing business intercourse between the two continents; incidentally, banking would follow:"

From New Orleans it was reported that there had been no active discussion of the question there, and that no steps had been taken looking to the organization of foreign branch banks.

From Philadelphia, Kansas City and Minneapolis came information that nothing had been done in those cities, while in St. Louis there was reported "a general feeling that possibly some action would be taken to secure amendment of the Federal Reserve Act, and the field of the national banks in regard to handling foreign business might be considerably broadened."

From Cincinnati it was reported that only one of the local bankers seemed to be particularly interested in the subject, and "he seemed to think fairly well of the proposition as a whole."

From Detroit it was reported that there was no particular interest in the amendment, and it was reported from San Francisco that "it would be quite impossible to imagine any of the San Francisco banks combining for such a purpose, and I think the same will hold throughout the country, except possibly in a few cases where there may be joint control through stock ownership." In Los Angeles there was reported to be no serious discussion of the proposition, and the following opinion was expressed:

"The opening of foreign branches will be found very expensive, and considerable losses will be encountered before the business can be put on a paying basis. For this reason only banks possessed of very large capitalization can properly engage in the business."

In Atlanta there has been no discussion of the subject by the banks, and "it is not likely that they would be interested in the question as it now stands or the suggested change in the law."

"The banks in this section of the country," writes a Texas banker, "have but little foreign business offered them by their customers; the major portion of the banking business with us is of a domestic nature.

"It would seem advisable, however, for the general good of the entire country that some consideration be given to the establishment of branch banks in foreign countries, and especially in the South American republics, so that the commerce of our country may be properly and promptly handled against such goods as we may be able to export to these foreign shores.

"I have kept advised as to the progress of the National City Bank of New York in this direction, and feel sure that other of our large American banking institutions will follow their example, and by and by the smaller groups, through a combination of their interests, may do likewise, and especially so if it should be made clear to them that the business would be of a profitable nature."

From Seattle: "The Department of Commerce some months ago put forth an effort in this locality to discover the needs in the direction of foreign banking. In that connection I was asked for an opinion with reference to the establishment of foreign branches, to which I responded by saying 'that experience has taught that the establishment of branches in foreign fields should only be undertaken by banks of very large resources, as it is known that foreign branches have usually been a source of very heavy outlay, with a considerable time required for development to the point of profit.' Undoubtedly branch banks in foreign countries where American institutions do business, or in fields that are open to American institutions, would be of material advantage in the development of trade."

It has been rumored also that the Advisory Council of the Federal Reserve Board had discussed the subject at the request of the Federal Reserve Board, and had expressed an opinion favorable to an amendment of the Reserve Act which would permit national banks to combine in establishing branches abroad. It is also rumored that members of the Advisory Council considered such an amendment as harmless, and expressed the opinion that nothing would come of it.

If the reports from which these extracts are made are representative of banking sentiment it is apparent that banking sentiment has not come to any conclusion in regard to foreign branches, except that it is a venture which involves considerable outlay and profits are problematical.

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MILITARY TRAINING IN THE INSTITUTE

At the San Francisco convention of the American Institute of Banking a resolution was adopted indorsing the policy of military preparedness for national defense. This action has attracted general attention and support, and already steps have been taken to cooperate with the War Department and the National Security League. In order to carry out the spirit of the resolution President Robert H. Bean of the Institute has appointed the following Committee on Military Instruction: Harold J. Dreher of Milwaukee, Chairman; E. D. Hulbert of Chicago, Charles E. Warren of New York, Joseph Chapman of Minneapolis, Wm. S. Evans of Philadelphia, and J. S. Curran of San Francisco.

FAIR PLAY FOR RAILROADS ON MAIL PAY

BY ASA G. CANDLER, PRESIDENT CENTRAL BANK & TRUST CORPORATION OF ATLANTA, GA.

Bankers in many parts of the country are among those business men who have co-operated in the systematic effort to obtain for the question of railway mail pay thoughtful consideration by United States Senators and Representatives. To bankers, as to other business men, was recently sent a pamphlet entitled "Railway Mail Pay and Public Opinion." The publisher is the Railway Business Association, the national organization of manufacturing, mercantile and engineering concerns dealing with the steam railroads. The text is an address to members of the Sixty-fourth Congress. It invites business men to consider, and, if they approve, to indorse to Senators and Representatives a set of principles upon which mail pay, as the Railway Business Association thinks, ought to be computed.

Aid has been given to this movement by commercial and financial leaders in many communities. Some have mailed to their Senators and Representatives a post card provided for that purpose and reading:

> I have read with great interest and approval a pamphlet, "Railway Mail Pay and Public Opinion," issued by an organization of manufacturers, the Railway Business Association. I understand that a copy has been mailed you. Will you not please read this document carefully and let me know what you think of it? If the pamphlet has not reached you please advise and I will see that you get one.

The names of statesmen so addressed are sent to the Railway Business Association on another post card also provided. Others have sent a copy of the pamphlet, with an autograph letter, to the Senator or Representative asking him to read it and give his impression of the contents. A third method has been to talk personally with the member, get him to read as he sits the gist of the bulletin, which is in the first four pages, and obtain his views at that time.

Reports of such correspondence and conferences indicate that many members of the Sixty-third Congress who are also in the Sixty-fourth have not until now taken occasion to study the question. One Senator said the matter was "in the hands of the Interstate Commerce Commission" and he was content to "await the decision of that body." The fact, of course, is that the Interstate Commerce Commission has nothing to do with the matter. Indeed, the principal point emphasized by the supply manufacturers is that neither the commission nor any other disinterested tribunal, under the proposed measure, would have either original or appellate jurisdiction, and that, on the contrary, the fixing of rates and the method of computing amount of service to be paid for would be even more arbitrarily lodged with the Postmaster General, an interested party, than under existing law.

One Representative said he thought that the system of estimated "space" (car-foot miles) would be "simple" as compared with actual annual weighings which the railways desired. His correspondent asked him whether simplicity was enough—whether accuracy and adequacy were not essential to a fair method? The Congressman did not respond to this question. In fact, nobody has pointed out in the proposed measure any provision assuring the railroads credit, by actual measurement, for the amount of service performed and to be paid for.

A good deal of earnest conversation from neighbors whom they know and trust may be necessary to wean some Senators and Representatives away from the proposed system to which the railways so vigorously object. That system—"space" estimates, as distinguished from actual weights—has unusual and formidable prestige with many of the members who have to vote on the question. "Space" was unanimously recommended by a joint committee of Congress after an elaborate investigation. It was and is urged by the Post-Office Department. It was adopted without dissent by the House Committee on Post-Offices and Post Roads and passed by the House, only failing in the last hours of the Sixty-third Congress and carrying down with it the whole appropriation bill upon which it was a rider. Practically all re-elected Representatives are therefore in the position of being asked to reconsider action deliberately taken. Yet open-minded business men who study the matter cannot avoid the conclusion that all those who have supported "space" instead of weighings have either overlooked the vital essence or are frankly advocating the plan because it seems likely to reduce railway compensation.

Chairman Moon, of the House committee, sought no evasion. He candidly advised the House on December 14, 1914, that under the "space" method, "You will have enough space under the contract to carry all your parcels post, probably without any additional compensation, and save many millions of dollars annually." To Senators and Representatives their business and banking acquaintances can say and are saying that they do not favor any provisions under which anybody shall perform service without compensation, railroads or anyone else; and that in the case of railroads the occasion for justice is particularly urgent because their credit needs strengthening in the public interest and the Interstate Commerce Commission, dealing with the roads in the region of heaviest traffic, went slowly last year with freight rate increases on the explicit ground, among others, that the mail service is now unremunerative.

A special opportunity for effective work on this question before the December session opens is afforded

by two facts: First, the Senate refused to concur in the "space" method. Second, 131 new members will sit in the House, not one of whom stands committed to the idea that innumerable departmental subordinates all over the country should estimate how much car space will be used without subsequent check-up by actual facts. Upon uncommitted Senators and Representatives it can with special fruitfulness be urged that in these days of high standards fixed by the government for conduct of citizens and corporations it should itself set a shining example of honesty above suspicion.

Copies of the Railway Business Association pamphlet will be sent upon application to that organization, 30 Church Street, New York.

[Since Mr. Candler's article was written striking confirmation of the soundness of the position of the railways and the Railway Business Association on the mail pay controversy has been afforded through action by the Merchants Association of New York. That organization is known among commercial bodies all over the country for its independence of the railroads as well as its fairness in dealing with them. Its policy has been described as a square deal for all parties concerned based upon a thorough analysis of facts. The association some time ago gave warning against such extreme measures as might destroy the express companies, but, on the other hand, it was one of the leading associations which participated in the movement to have express rates investigated and reduced. The Merchants Association characterizes the space-payment plan of the Post-Office Department as "new and untried," and urges that it be not adopted unless or until approved by the Interstate Commerce Commission, which should supervise annual weighings for two years and then report to Congress what further changes, if any, should be made in the law.—Ed.]

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"ONE MILLION NEW SAVERS IN 1916"

This is the slogan for us to use in starting the 1916 campaign of education for the encouragement of thrift. Spread the news far and near. It will save the nation from the frightful effects of the European war. What are you doing to encourage thrift?

Nation Wide Thrift Campaign to Be Instituted in 1916

The American Bankers Association is planning a celebration in New York City during December, 1916, of the centennial of the founding of the first savings bank.

Preliminary to this celebration and in view of special and general conditions, and principally in view of the enormous destruction and waste now being caused by the European war, it is asking all the members of the American Bankers Association and all other people to aid in a thrift campaign as follows:

First, by circulating among local school authorities and newspapers the printed matter issued by the American Bankers Association for encouraging the opening of savings accounts and the forming of the habit of systematic saving by school children. In this connection it is suggested to public-spirited citizens that if they wish to arouse special interest in the plan in their own communities they might offer prizes, open to pupils in local public and parochial schools who make the best record in earning and saving money during the balance of the school year, regard being had to the age and opportunity of the child rather than to the actual amount saved.

Second, by securing the publication in local newspapers of the "Thrift Talks" and other similar literature which is now being distributed by the American Bankers Association.

Third, by calling the attention of local employers of labor to certain plans for encouraging the forming of the habit of systematic saving among employes. One plan is to notify employes that if they choose they may leave an order with the bookkeeper under which he will deduct from the weekly payroll any specified amount and deposit it in any bank the employe directs to his credit.

Information regarding these and other similar plans and the literature referred to may be had, free of charge, by written application to the American Bankers Association, Savings Bank Section, Five Nassau Street, New York City.

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NOVEMBER INTEREST PAYMENTS

According to the *Journal of Commerce*, New York, investors will receive in dividends during the month of November the sum of $142,610,946. This compares with $130,450,324 for the month of November a year ago, an increase of $12,159,622. Of the total, $57,110,946 represents dividends, an increase of $7,659,622. Interest payments will be in the neighborhood of $85,500,000, against $81,000,000 in November, 1914.

THE FATHER OF AMERICAN BANKERS

BY ALEXANDER DEL MAR

It was in 1513 that Vasco Nuñez de Balboa discovered the Pacific Ocean. In reporting this event to King Ferdinand the discoverer did not fail to remark what a narrow strip of land separated the Atlantic Ocean from the "South Sea." Charles, the son of Jane, or Juana, daughter of King Ferdinand and Queen Isabella, was at that time thirteen years of age, living with his mother at Ghent, in Flanders, now called Belgium, where he was born, his father, Phillip of Austria, being the suzerain of that region. It is related of Charles that as a lad he was intensely interested in the discoveries of Columbus, Cortes, Vasco Nuñez and Pizarro, not merely because he might some day be summoned to reign over those distant regions but chiefly because of his eager and adventurous disposition and the advantage which he enjoyed, one rarely vouchsafed to youthful princes, of freely perusing the annals and public papers of the day. Something of this freedom was due to his much-maligned mother, whom the Imperial politicians later on affected to believe was crazy, but whose moderation, amiability and good sense was twice affirmed by the Spanish Cortes, upon her brief elevation to the throne of Spain. The trouble was that her residence in Flanders colored Juana's views with that spirit of toleration anciently called Arianism, but was soon to take on those new names which now are classed under the convenient one of the Reformation.

"LE DOREUR"

As Charles progressed from boyhood to youth another circumstances helped to mold his character. His expenditures evceeded his means and he had to borrow from the Fuggers of Augsburg, then the richest goldsmiths or bankers in Europe. This was done through the agency of a young goldsmith of Ghent, whose real name has been the subject of dispute, but who was evidently a relative of the Fuggers and may be conveniently regarded as of the same family name.

It was probably before Charles went to Spain to assume the crown, which his grandfather's and father's deaths, his mother's bereavement and the intrigues of the politicians had placed at his disposal, that he conceived the idea of a canal to be cut along the route traversed by Vasco Nuñez, thus to unite the two oceans and shorten the voyage to the Indies; because the lack of means which rendered the project at this period a mere dream could hardly have deterred him from prosecuting it after the Spanish conquistadores had despoiled Mexico and Peru. Dr. Heylin, who records the survey of the Isthmus for a canal by Flemish engineers, does not mention the date. Here are his words:

"The Istmus of Darien, being no more than 17 miles broad, the Councell of Spaine was motioned the cutting of a navigable channell through this small Istmus to shorten our common voyage to China, etc. But the Kings of Spaine haue not hitherto attempted it, partly because if he should imply the Americans in the worke, he should lose those few of them, which his people haue suffered to liue; partly because the slaues which they yearely buy out of Africa, doe but suffice for the mines and sugar-houses; but principally lest the passage by the Cape of good hope, being left off, those seas might become a receptacle of Pirats. God it seemeth is not pleased at such proud and haughty enterprises; and yet perhaps the want of treasure hath not been the least cause why the like projects haue not proceeded."—Rev. Peter Heylin, *Microcosmos; A Little Description of the Great World,* 5th ed'n, Oxford, 1631, p. 788.

After Charles was crowned in Spain his intercourse with Flanders became infrequent; and such was the jealous temper of the Spanish nobles that the employment of Flemish engineers at this period engendered great dispute and resentment. Hence in the absence of any specific evidence to the contrary the survey may be tentatively assigned to about the year 1519 or 1520.

down to which period the limited income of the young prince induced him to accept the financial assistance of young Fugger.

The Fuggers were a rich and noble family, who on a subsequent occasion entertained Charles, now King of Spain and Emperor of Germany, in a style of magnificence exceeding the means of any sovereign in Europe. They were renowned not only for wealth but also for great liberality and a generous patronage of literature and the fine arts. Their various palaces were stored with the most valuable manuscripts and books, the finest pictures and the rarest sculptures. The family portraits of these great patrons of art engaged the brushes of the most gifted painters, not only of their own time but for more than a century afterward, during the whole of which interval the Fuggers remained the principal bankers of the Empire. It was during this period that one of them who held the honorary office of chamberlain (banker) to Pope Paul III., turned Protestant.

Taking into consideration the religious tendencies of Juana, of Charles, of the Fuggers and of Sarstri, the wife of Rembrandt, all of whom at one time or another were suspected of being Arians, Socinians, Arminians, Remonstrants or "heretics," the danger of such suspicions and the proclivity of the suspected to befriend and favor others of like opinions, it is not improbable that Rembrandt, who painted so many portraits of Sarstri, and who also painted that shrewd but resolute and fearless head, with the well-known Fugger features, which he designated by the anonymous title of "The Goldsmith" (Le Doreur), knew at the time that he was immortalizing the banker of Ghent.

In such case it is the head of Huldrick Fugger's father, the young banker who financed a survey of the Panama Canal 400 years ago; and therefore of him who was the "First Banker of America."

Said the late Director of the Boston Museum of Art: "Rembrandt's 'Goldsmith' (Le Doreur), etched by Flameng, after the illustrious Dutchman's painting, is one of the triumphs of the etcher's art. It is not a copy of the painting but its sublimation; the deep black of the hat and garment, the subdued tone of the background, the brilliant tints of the flesh, the various hues that enter into the modeling of the white collar in the painting, are here all rendered in black and white; a marvel of technical perfection and striking effect."

RESERVE REQUIREMENTS UNDER RESERVE ACT

(CONDENSED AND COMPILED BY M. J. McNEL LIS, AUDITOR, FEDERAL RESERVE BANK, KANSAS CITY, MO.)

FIRST THIRTY-SIX MONTHS.

Member Bank Classification		1914-15. Nov. 16 to Nov. 15.	1915-16. Nov. 16 to May 15.	1916. May 16 to Nov.15.	1916-17. Nov. 16 to May 15.	1917. May 16 to Nov. 15.	Minimum to be held permanently from November 16, 1917.	
Non-Reserve Cities—								
12% demand deposits 5% time do.	Vaults	5/12	5/12	5/12	5/12	5/12	4/12	The 3/12 balance optional as to whether held in own vault or Fed. Res. Bank.
	Reserve cities	5/12	4/12	3/12	2/12	2/12	None	
	Fed. Res. Banks	2/12	3/12	4/12	5/12	5/12	5/12	
Reserve Cities—								
15% demand deposits 5% time do.	Vaults	6/15	6/15	6/15	6/15	6/15	6/15	The 4/15 balance optional as to whether held in own vault or Fed. Res. Bank.
	Central reserve	6/15	5/15	4/15	3/15	3/15	None	
	Fed. Res. Banks	3/15	4/15	5/15	6/15	6/15	6/15	
Central Reserve Cities—								
18% demand deposits 5% time do.	Vaults	6/18	6/18	6/18	6/18	6/18	6/18	The 5/18 balance optional as to whether held in own vault or Fed. Res. Bank.
	Fed. Res. Banks	7/18	7/18	7/18	7/18	7/18	7/18	

OFFICIAL BADGES

A few of the official badges are left over from the Seattle convention. They will be sent to members on written request to the General Secretary, until the supply is exhausted. Applications for the badges will be honored in the order in which they are received.

JOURNALS OUT OF PRINT

The August, 1908; October, 1910; October, 1911, and January, 1912, issues of the JOURNAL-BULLETIN are out of print. Members having copies of these issues which they do not care to preserve should send same to us. This action will be much appreciated and twenty-five cents per copy will be paid.

WISCONSIN'S SUCCESSFUL THRIFT CAMPAIGN

A movement headed by the Wisconsin Thrift Commission, which evoked the following editorial in a recent issue of a Milwaukee newspaper, is worthy of considerable commendation:

Campaigning for Thrift

Nine public-spirited Milwaukeeans, without prospects of honor or emolument, have voluntarily undertaken to promote the thrift movement in Wisconsin. They have essayed a task which is worthy the assistance of every citizen of the state. There is nothing better in prospect for this commission than effort, sacrifice and the satisfaction of working for an excellent cause.

The American people have been and still are grossly extravagant. There is dire need for individual and national thrift. It has been well said that other nations could live on the American garbage pail. Our waste lands, our undrained swamps, our denuded timber lands, our discarding of clothes still capable of good service, our waste of a thousand kinds is so apparent that any agency or group of individuals which sets out to stem this tide of waste is merely trying to give concrete application to the vast conservation movement which is still almost new in America.

The Wisconsin Thrift Commission can point the way for other states. It is a matter of peculiar pride that Wisconsin should be the first to utilize every force in the community, from press to pulpit, to inculcate the sturdy ideals of frugality which dominated Benjamin Franklin. We have scorned the "tightwad" and the "skinflint" in this country, but we galloped to the other extreme. Prodigal with resources, we have flung our wealth and opportunities, as it were, to the four winds. We must reform our individual ideals. The spendthrift need not be our national idol. There is nothing admirable in the man whose only qualification is emptying his purse with the greatest facility for the most useless things.

Why not get what we pay for? Why not stop some of our thousand sources of waste? Why not reorganize our ideas of individual finance on a sound basis? There are mountains of work to be done. If the Wisconsin Thrift Commission can do only a few of the things it will have fully justified its organization and existence

The following are members of the commission: C. G. Pearse, president of the Milwaukee Normal School; M. C. Potter, superintendent of schools; the Rev. Bernhardt Traudt, representing Archbishop S. G. Messmer, who has indorsed the movement; Dr. Charles H. Beale, representing Protestant churches; Albert Friedman and Walter Stern, representing merchants and manufacturers; J. H. Puelicher, Marshall & Ilsley Bank; George D. Bartlett, secretary of the Wisconsin Bankers Association, representing city and state bankers, and C. O. Skinrood, financial editor, representing the press.

Mr. Pearse was made the head of a committee which will investigate the feasibility of introducing thrift lessons in schools by means of text books. Mr. Potter will devise ways and means of promoting thrift through the schools by means of savings banks, lectures on business, or otherwise. Father Traudt and Dr. Beale will search out the practical methods by which the clergy can promote thrift. Messrs. Friedman and Stern will attempt to interest employers in promoting the economic welfare of their employes by encouraging them to own their own homes, acquire insurance and savings bank accounts. Mr. Skinrood was delegated to promote thrift through the daily and weekly press. Each of these committees will add one or two members, making committees of three, including those outside the commission.

Mr. Puelicher was named chairman of the commission and Mr. Skinrood secretary. Mr. Bartlett was made vice-chairman and head of a state committee delegated to promote the movement throughout the state. Mr. Puelicher, who is also vice-president of the Savings Bank Section for the state of Wisconsin, said in a newspaper interview:

This movement should not be confused with mere acquisition of savings accounts at banks. This is only a very small part of the plan. The idea is to promote thrift in a thousand ways. Thrift means conservation of time, energy and resources. Thrift may include a vast number of things from saving pennies among individuals to an organized campaign to avoid waste among the millions. Wagon loads of old magazines, for instance, are thrown away in our homes after being read for a few days, when there are thousands of individuals and many institutions glad to get them. Some plan must be devised for their collection and distribution.

Milwaukee Chapter of the American Institute of Banking is taking an active interest in the movement. A. J. Salentine, president of the Chapter, states:

During the coming year a widespread campaign of thrift is to be launched by the Savings Bank Section of the American Bankers Association and the American Institute of Banking, acting jointly, this having been determined upon at the recent convention of the American Bankers Association in Seattle. The time is most opportune for such a campaign, for 1916 is the one hundredth anniversary of the establishment of the first American savings bank. In every city members of the American Institute of Banking will write and speak for the furtherance of thrift.

Milwaukee Chapter, through its committee, stands ready to co-operate in any thrift movement and will provide the necessary speakers to advance the work.

The following advertisement is an example of how these Milwaukeeans are encouraging thrift:

TEN DOLLARS IN PRIZES
FOR THE BEST STORY
"HOW WE SAVED FOR OUR HOME"

The *Free Press* is offering, through the courtesy of the Wisconsin Thrift Commission, five prizes aggregating \$10. For the best story in 200 words of "how we saved to acquire our home" there is a prize of \$5. For the next best story a prize of \$2, and for the three next best stories of 200 words or less a prize of \$1 each.

You need not be an author—just write your story in your own words; tell how you saved to buy your home, so that others may profit by your example. Sign your name and send it to the *Free Press*. Your name will not be printed if you request. All letters must be handed or sent in by Friday noon, October 15.

"He who runs may read." It is just a hint to you. "What are you doing to encourage thrift?"

NEW YORK BANKING DEPARTMENT AT STATE FAIR

Herewith is shown a picture of the exhibit which the New York Banking Department presented at the State Fair, held at Syracuse, N. Y., during the week of September 13-18. Everything shown, including all of the pictures, machines and other matter, was supplied either by banks under the department's jurisdiction or by manufacturers whose apparatus is so largely used in the conduct of the modern banking institution.

The exhibit was designed and installed by State Bank Examiner E. K. Satterlee, assisted by Examiner E. F. Howe, who report that at all times during the fair they were kept busy answering questions of every kind and description pertaining to the banking business. The purpose of the exhibit is educational and is intended to demonstrate in as many ways as possible the ways and means employed by a bank in handling with safety and expedition the great volume of business which comes to it.

An especially interesting feature was the demonstration by an expert in constant attendance of the utility of the American Bankers Association Travelers' Cheques.

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ARGENTINA'S FOREIGN TRADE

The figures relating to Argentine foreign trade during the first six months of 1915 have now been published by the National Statistical Department. Imports for the half year were valued at $100,127,910 gold, a decrease of $70,888,754 compared with the same period last year, and exports at $310,910,368 gold, an increase of $97,176,414. Imports from Germany show a falling off of $25,264,167, equivalent to 84.8 per cent.; from the United Kingdom, one of $22,984,980, or 39.2 per cent.; United States, one of $1,759,176, or 8.3 per cent.; France, $9,413,660, or 62.6 per cent.; Italy, $4,744,663, or 32.5 per cent. The only increases registered are relatively unimportant ones with respect to Bolivia, Brazil, Chile, Paraguay, Spain and what are denominated "other sources."

Turning to export destinations it is found that the United Kingdom took from Argentina goods to the value of $17,673,983 gold more than during the first half of 1914, equivalent to 30.4 per cent., and the United States $16,728,249, or 71 per cent. The largest actual and proportionate increase is shown by Italy, at $27,-184,890, equivalent to no less than 799.4 per cent. The value of goods taken by France increased by $9,331.782, or 59.1 per cent.; by Spain, $3,095,971, or 343.1 per cent.; by Holland, $3,247,938, or 46 per cent. "Other destinations" received goods to the value of $10,574,334 more than in the first half of 1914, or 438.3 per cent. Of these "other destinations" is it is interesting to note that shipments to Sweden were valued at $3,593,140 gold (as against $1,183.054 for the same period last year); to Norway at $1,633.593, comparing with $1,020,-568, and to Denmark $790,425, comparing with $60,431.

OBSTACLES TO MEMBERSHIP IN RESERVE SYSTEM

BY E. D. HULBERT, VICE-PRESIDENT MERCHANTS LOAN & TRUST CO., CHICAGO

The rules recently promulgated by the Federal Reserve Board for the admission of state banks to the Federal Reserve System contain, so far as I know, everything that state banks have asked for. So far as the Federal Reserve Board is concerned, I believe it has done everything that it ought to do or can properly do to give this country "A unified banking system, embracing in its membership the well-managed banks of the country, small and large, state and national."

I believe practically all commercial bankers are strongly desirous of having this condition brought about, but there are some objectionable things in the present situation which it is not in the power of the Federal Reserve Board to correct. I wish to refer particularly to three, namely—the multiplicity of control, the granting of trust powers to national banks and the prohibiting of common directors.

Control Over Member Banks

At present there appear to be four distinct departments of the government having separate control over member banks. No one can tell where the authority of one leaves off and the other begins. These are the Treasury Department, the Comptroller's Department, the Federal Reserve Board and the Federal reserve banks. State banks entering the system would still be subject to the control and supervision of state authorities, making an additional master. I hope this will finally be settled by placing the supervision and control of the member banks of each district in the hands of the Federal reserve bank of that district under the supervision of the Federal Reserve Board. This would practically extend the present system of Clearing House examinations to all member banks, and I believe no one familiar with this system will question the statement that it is immeasurably superior to any supervision that can be exercised by the Comptroller's office. I believe the office of Comptroller of the Currency has always been filled by exceptionally able and competent men and the examinations conducted by that office have been as thorough and intelligent as we can ever hope for under any political system. Yet failures of national banks have been so common as to discredit our whole banking system.

Superiority of Clearing House Examinations

Our experience with Clearing House examinations, however, has demonstrated that bank failures can be prevented by proper supervision. I believe there has not been a single failure under that system, and we all know that under its operations a great many banks, both national and state, have been cleaned up and put in good condition which had gotten into unsatisfactory shape under political supervision.

I am aware that the new rules intend to place the supervision of the state banks entirely in charge of the Federal Reserve Board and it must, of course, be assumed that the present Secretary of the Treasury and Comptroller of the Currency assent to this, as they are both members of the Federal Reserve Board. It does not seem quite clear, however, that future secretaries and comptrollers will be bound by this action as the law only says that the Federal Reserve Board may authorize the Comptroller of the Currency to forego examinations of state banks. It seems to me it would be much more satisfactory if all member banks were treated alike in this respect.

Trust Powers for National Banks

Regarding the exercise of trust powers by national banks, so far as I know no one pretends that this was put in the law to serve any public purpose. No one pretends that such service can be performed by national banks any better or as well as it is being performed by trust companies organized under state laws. According to the best legal advice we can get, this part of the law is unconstitutional.

Common Directors

The most serious objection of all is the prohibiting of common directors. Congress has decreed that where there is a common ownership of stock there may be common directors, but that where the ownership of stock is not common, there shall be no common directors of member banks. This, manifestly, is intended to legitimize those cases where national banks have organized trust departments, calling such departments separate corporations, although no certificates of stock are issued and there is not much to indicate that the department is a separate corporation, except a statement to that effect on the back of the stock certificates of the national bank. This, of course, is done for no other purpose than to enable the national bank to do, through its trust department, what it could not do as a national bank, and such trust companies automatically become members of the Federal Reserve System, without becoming stockholders or being subject to the provisions of the Act relating to supervision or reserve. On the other hand, a great majority of independent trust companies have directors in common with national banks and other trust companies.

Everyone familiar with the subject knows that such directorships interfere in no way with the competition between these banks unless there is somewhere in the background a common control of these institutions which would exist just the same if there were no common directors. In fact, we know that in the few instances where there is common control of great financial institutions, those who exercise the control are not directors in any of them.

I believe a few simple amendments to cover the points outlined above would be entirely in the interest of public welfare and would bring the desired results.

KANSAS CITY HONORS P. W. GOEBEL AS HOTEL COMMITTEE BEGINS WORK ON CONVENTION

Peter W. Goebel, president of the Commercial National Bank of Kansas City, Kan., and Vice-President of the American Bankers Association, was the guest of honor at a recent dinner given by the Bankers Club of Kansas City at the Hotel Muehlebach to celebrate his elevation to the second highest office in the gift of the Association. At the same time the dinner also served to celebrate the choice of Kansas City, Mo., as the 1916 convention city. Several of the 300 or more bankers who attended took turns at paying their tribute to Mr. Goebel. Among them were W. J. Bailey, of Atchison, Kan., who nominated Mr. Goebel at the Seattle convention; E. F. Swinney, president of the First National Bank of Kansas City; J. W. Perry, president of the Southwest National Bank of Commerce of Kansas City, and Richard S. Hawes, vice-president of the Third National Bank of St. Louis. Mr. Goebel responded in a neat address, in which he gracefully referred to the two Kansas Cities as being one community with identical interests.

Mr. Perry estimated that there would be an attendance or not less than 5,000 at next year's convention, and he stated that already over 3,200 hotel rooms had been pledged to a committee under contract and at stipulated rates. Speaking for Kansas, Mr. Bailey said his state will be represented by 2,000 people.

On the subject of hotel accommodations generally, and for the information of the membership, it may be said that the hotel proposition at Kansas City will be handled in the same manner as it has been for the past three or four years at other convention cities; that is to say, the American Bankers Association and its officials will have nothing whatever to do with reservations at hotels, as all accommodations at available hotels have been turned over to the local hotel committee and reservations will not be made otherwise than through this committee. Kansas City is amply supplied with good hotels and can take care of all desiring to attend the 1916 convention.

Those desiring hotel accommodations should communicate at once with the hotel committee, which is as follows:

R. C. Menefee, vice-president Commerce Trust Company, Chairman.

Thornton Cook, vice-president Fidelity Trust Co.

W. I. Buechle, vice-president Southwest National Bank of Commerce.

G. G. Moore, cashier New England National Bank.

Asa E. Ramsay, vice-president Drovers National Bank.

C. W. Allendoerfer, assistant cashier First National Bank.

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TROUBLES OF BUENOS AIRES

The municipality of the city of Buenos Aires is in a parlous state. It seems only the other day that expropriations to the tune of millions for sumptuous diagonal avenues were the chief preoccupations of the Latin-American Paris. To-day the butcher, and the baker, and the street sweeper, and the gas collector, and the electric light man are clamoring for their dues—and clamoring in vain. And the ruling powers are showing signs of irritation and trouble is brewing and resignations are threatened. It is deplorable that the delicate financial interests of this wealthy community should be in such feeble keeping at this critical juncture. It is also regrettable that these things should be happening when the nominally representative Deliberative Council is *non est*. Admitted that the present Mayor of the city, Dr. Gramajo, inherited a legacy of difficulty when he accepted the office, it cannot be said that he has confronted the position with conspicuous success. Now the English Primitiva Gas Company and the German Electric Light Company are suing the muncipality for long overdue lighting accounts. That of the gas company is for more than $1,000,000 (paper) and that of the electric company something less ($880,000 m/n.). Somewhat of a sensation has been caused this week by the action of the Primitiva Company in endeavoring to collect their just dues, and manifestations of hostile feeling between the municipality and the company have been provoked which it would have been far better in the circumstances not to have provoked. The financial stringency at present afflicting the municipality is well known, and to some extent excusable, but it seems that the exercise of a little elementary diplomacy, not to say courtesy, on the part of the city authorities would have prevented the undesirable notoriety which their default of admitted obligations has produced, with consequent damage to the city's credit.

CLEARING HOUSE ORGANIZATION AS APPLIED TO COUNTRY BANKS

R. F. McNALLY

Before the Clearing House Section of the American Bankers Association in Seattle.

In the state of Missouri, excluding the reserve cities of St. Louis, Kansas City and St. Joseph, there are fifty-nine banking points where there are three banks, and thirty-six where the banks number four or more. In four of these ninety-five places there are clearing house associations. Doubtless these figures are a fair average for the country as a whole. One of the things that stands out in our financial history has been the development of the clearing house in our larger cities; such an aid in the transaction of the day's business is taken for granted, and it would be hard to imagine any of those cities doing without such an entirely satisfactory safeguard and convenience. I am not in possession of any statistics on the subject, but I question if there ever has been a clearing house in this country to go out of existence that at any time had a spark of vitality in it or had been intrusted with any functions worthy of mention.

The surprise is that the clearing house idea has made such little progress in the country towns. After fourteen years' experience as cashier in a town of less than 8,000 population, with four banks until a year ago, when the number was increased to five, the writer not only believes in the perfect feasibility of the idea but strongly is of the opinion that any town, regardless of its size, that has three banks should have such an association. Banking problems know no geography. They may be of far greater degree in the city, but there the bank officer does not, as is the case in the country, have to contend so noticeably with the unregulated competition, the personal equation carried to the "nth" power, the calm insistence on the part of the customers that each must be treated as a particular exception to any banking rules, and the many little vexations that make business harder to transact because of the impotence or more likely the timidity on the part of the country banks that stands in the way of making and enforcing reasonable regulations in the handling of their business.

The Chillicothe Clearing House.

In reciting what has been accomplished in Chillicothe, Mo., since the organization of our clearing house sixteen years ago most of the points touched upon will be passed over by the city banker because he cannot imagine conditions being otherwise. However, it must be noted that with unrestricted competition strange things are possible, and there is not one of the things we have brought to pass in Chillicothe but what is of importance in nearly every town of our size, and in many of larger growth.

The constitution and by-laws of the association provide for the annual election of officers; rotation in office so that no officer can succeed himself in the same office; representation for each bank in the list of officers, and prescribe the manner of making regulations for the clearing house, which must be done by unanimous consent. As there are no penalties for the infraction of rules or withdrawal from the organization, it can be seen that it operates under a sort of gentleman's agreement that may be terminated at any time. It is significant to relate in this connection that the rules are strictly enforced and that the association grows stronger and more helpful every year. Assessments are made for running expenses and, except for extraordinary purposes, these assessments hardly ever run over ten dollars a year per bank.

In the first place, on a modified scale of course, we use the same method for clearing checks that is employed in the large cities. For a month at a time each of the five banks in turn is made the meeting place of the clearing house. At a fixed hour each day the representatives from the banks meet at the clearing bank and the checks are exchanged. The debit or credit, as the case may be, is paid to or by the clearing bank. Payment is optional in gold, currency or exchange. By custom, except in the case of very small differences, exchange has come to be used almost exclusively in payment. Meetings of the association during that month are held in the directors' room of the clearing bank.

The banks open at 9 A. M. and close at 3.30 P. M. As a surprisingly large number of small towns have no regular opening or closing hours, this is quite an item. All legal holidays are observed. Excepting Christmas and the Fourth of July, it is amazing to see the number of banks that fail to take advantage of these days of relaxation that mean so much to their working forces.

Schedule for Collection Charges.

Probably the regulation that has meant most to us is the provision for a fixed schedule for exchange and collection charges. Before the association came into being drafts were written for nothing and collection charges did not exist except for the out-of-town maker of a draft, who could not help himself. No charge is made correspondents for their remittances, nor the railroads, post-office and the express companies, who otherwise would send their currency out of town. With these exceptions, the rule is ironclad and applies even to the officers of the banks. It can readily be seen that this is found to be a neat source of revenue in the course of the year, and certainly it has reached a respectable total in sixteen years. It is also apparent that both for the bank and the customer it is most advantageous to have a fixed regulation of this kind.

Take the much-discussed letter from the Comp-

troller of the Currency on overdrafts. The two national banks submitted this letter at the first meeting of the clearing house, and invited the co-operation of the three state banks in the abatement of this evil, a grievous one, by the way, that can be handled only by an uncompromising attitude on the part of the country bank. The banks viewed the matter alike, and in the name of the clearing house drew up a pronouncement stating unequivocally that after March 15 overdrafts would no longer be permitted. This was published in the local papers and printed copies were sent all customers. To the surprise of the banks, the customers almost as a unit gave their hearty approval to this move; so with practically no trouble the overdraft here has almost ceased to exist, as may be shown from the comparison of a total of $6,063 for all the banks in the statement of March, 1914, against a total of $385 for the June statement of this year. These latter, it might be explained, are hangovers still in the process of collection—not always an easy task, as no doubt all of us have had reason to learn.

No interest is paid on daily balances except on county and city funds and bank accounts. A uniform rate of three per cent. is paid on time certificates of deposit, which must run at least six months. We have no savings departments. Customers are not enticed from their allegiance by the allurement of a better rate on loans. And that bogy of public funds, which has caused so many feuds and aroused such unwise and bitter competition by reason of the location of the treasurers' accounts, does not disturb our serenity.

Advantage in Times of Stress

In time of financial stress our association has fulfilled its function in the same efficacious manner as in the cities. Perhaps at these times more than any other have we found it distinctly of advantage to have that dependable co-operation so valuable in the adjustment of delicate situations.

We have had many opportunities in a civic way to be of aid. More than once have we been responsive to sweet Charity's call, as was the case last winter when we took in hand the raising of a relief fund for the Belgians. By good example and by concerted effort on our part several hundred sacks of flour were sent as the contribution from our county to this worthy cause.

Many other instances could be cited to show the good we have accomplished by our association and the tangible benefit we have derived from it. It has meant much to us, measured by dollars; it may mean more in the friendly feeling and the united front it has made possible. We do not claim that the millennium has dawned for us in Chillicothe; we admit that our competition has not as yet become the denatured article that would leave life without zest, that would tend toward a hidebound conservatism reaching out to stifle the growth of enterprise, that would develop such a feeling of self-complacency as would make us financial Pharisees giving thanks. We are not like the bank publicans who stand outside the clearing house and who feel unworthy or unable or unwilling to come within. We simply have learned to recognize that every banking point has its problems, that these problems are best solved when the banks can and do trust each other so that there may result an active, co-ordinated force for good that will make possible the regulation of what should be regulated, the encouragement of what should be encouraged and the elimination of what should be eliminated.

Influence of Reserve System

There are great possibilities in store for the country clearing house. The advent of the Federal reserve system gives a new status to the out-of-town check. It will soon have to be recognized that it is unprofitable as well as economically unsafe to send for collection to a city correspondent, in some cases several hundred miles distant, a check drawn on a point a few miles away. Such neighborhood items, as they may be termed, could be handled to great advantage through the country clearing house. Perhaps the time is not yet ripe for the working out of this idea, but there seems to be a great deal of thought given to the most satisfactory way of collecting such items, and this may be one solution.

Unquestionably, good judgment is shown by those banks who expressly prohibit their officers from signing bonds; but think how much peace of mind could be gained and pecuniary loss averted by clearing house regulation, especially where competition is keen for accounts of this nature, forbidding the bank officers affected to have anything to do, directly or indirectly, with the making of personal bonds, no matter how alluring the temptation or attractive the account.

It often happens that some banks in a town have a plethora of loanable funds while other banks in the same place suffer from a scarcity. Would it not be much better for the banks themselves, and the community at large as well, to sink false pride and, when such a condition obtains, have the local banks carry one another instead of sending their bills payable to some far-off city? This is an arrangement not at all difficult of accomplishment when the proper clearing house spirit has been aroused. Syndicates for the taking care of bond issues or public loans can also be the more easily formed, and a healthy spirit of independence in local matters not infrequently is built up. It naturally follows that a committee from a clearing house is treated with much more respect by boards of equalization, or other bodies having to do with the adjustment of taxes, than would be the case if the banks as individuals had to present their claims.

What an enlargement and general improvement would be visible in the credit files if the banks in the small towns should insist on statements from borrowers. Would not the cause of better banking be greatly advanced if all the banks in those towns by mutual agreement should rid themselves of that hesitancy in asking for statements and insist on them as a prior condition to making loans?

Grouping Small Clearing Houses

If there were more of the small town clearing houses it would be possible to form groups. Here would be the opportunity to pool expense and employ examiners so that each of the member banks could have examinations by their own auditors, as is the case in many of our large cities. Take the one item of bills receivable, and an audit of this kind would be of immense value. This is where the shrewd borrower who scatters his loans so that he may obtain a total credit to which he is in no wise entitled would find himself at a disadvantage. With full information as to credits at the disposal of an impartial clearing house examiner, the limit borrower could be sternly kept in hand, the doubtful borrower carefully checked up and the unsafe or rascally borrower very probably exposed and made harmless.

It may be stated that all the good that has been and can be accomplished in small towns is possible without the aid of a formal clearing house organization. Much can be done, it is true, by the existence of a friendly feeling among the officers of the various banks, and more or less definite understandings can be arrived at that will cover local conditions for a time. In such cases, however, and at best they are decidedly isolated, there is no advantage gained by this looseness of method, and understandings of this kind are only too easily shattered. The starting of a new bank, the filling of a vacancy by a too impetuous personality, the difference that may arise from a most trivial cause, yet capable of starting unfair suspicion or inspiring unethical conduct—any of these things may be harmony shatterers of deadly virulence unless there is an agency at hand to iron out such difficulties at the start. Experience shows that in the true clearing house there is almost invariably an atmosphere of honest deliberation, candid discussion and a fair-minded compromise.

It is feared by some timid souls that a clearing house, if started, might be regarded as a sort of local money trust, thus begetting an even deeper hostility against the banks in the mind of that community. It is true that, thanks to the agency of bank boards of directors, which a Missouri banker once characterized as "organizations for the dissemination of information that should not be imparted," it is hard to keep clearing house deliberations from becoming more or less public. In a way, this may be regarded as a salutary preventive against too drastic regulation. And after all, this is a small disadvantage if there is gained an added co-operation that keeps competition within bounds, that makes impossible the presence of that bitter personal feeling which has been known to display itself in such bellicose mien that encounters, legal and fistic, become part of the day's routine.

Importance of Co-operation

Nobody questions the good made possible by clearing house co-operation in the city, so why should not the movement be agitated in the country? The average small town is a virgin field for missionary work of this nature. When the towns are organized, then the county and regional clearing house may be the next step. If the city banker should take his rural brother in hand and give the movement his approbation; if it could be arranged to have the topic discussed at state and group meetings, laying stress on the practical benefits to be derived; if certain towns should be singled out and a sort of financial evangelical campaign outlined for them—so great is the power of education in this adaptable age that it would not be very long before the small town that should have a clearing house, but has it not, will be the exception rather than the rule.

In these days of unprecedented financial problems, with the rapid economic changes attendant on them, it stands out indisputably that the sound and successful system of finance must have co-operation as its cornerstone. We hear a great deal these days about intensive farming. Perhaps the time is closer at hand than we realize when the margin of profit will show such a tendency to hover around the vanishing point that intensive banking, as manifested in closer co-operation, rural and urban, will be worth our study more than ever before. We appreciate full well that in our business there is not going to be evolved any financial Burbank who is going to gather grapes of thorns or figs of thistles. How many of us from the small towns can say that our banks are entirely free from those thorns that shoot so vigorously from the impositions that we feel we have to submit to, knowing we should not; and how well do we realize that need of keeping careful watch on our financial soils lest the thistles of the dead beat take root in our assets?

The reason we have so few clearing houses in our small towns is not because they are not needed, for their worth is too clearly demonstrated; not on account of the expense, which is negligible; not on account of a spirit of indifference, for we are too progressive for that, but chiefly because we are afraid to trust our competitors, although we ourselves invite the trust of others. Whatever else may be said, it must be recognized that true co-operation is impossible unless there is evident a trust in each other on the part of those co-operating. One of our thriving Missouri towns has adopted as its slogan "Learn to know your neighbor, you may like him." It would be well worth the while for the bankers in many of our small towns to experiment with the suggestion "Learn to trust your competitor, then he will trust you."

MEMBERSHIP DUES

Drafts amounting to $235,000 on September 1 were forwarded by the Treasurer of the American Bankers Association, J. W. Hoopes, through the City National Bank of Galveston, Tex., to all members of the Association.

It is gratifying to report that about $220,000 of these drafts have been honored, which is indeed an excellent showing. After making allowances for those who have not paid, owing to advice of mergers, consolidations and withdrawals, the total sum now outstanding will not exceed $12,000. Under the Constitution and By-Laws annual dues are payable in advance as of September 1, and members who have not paid their dues are requested to remit promptly to the Treasurer, care the City National Bank, Galveston, Tex., in New York or Chicago funds, and he will then forward a celluloid insert showing dues paid to September 1, 1916, which can be placed in the metal sign indicating membership.

The necessity of displaying the membership sign in a conspicuous place—like the paying teller's window—is strongly urged upon members. The sign is respected by criminals, and it therefore acts as a warning to those who might otherwise commit depredations upon member banks—*it is a real protection.* If a sign has been misplaced the office of the Association should be informed so that another may be forwarded.

Article II, Section 5, of the Constitution was amended at the convention held in Seattle, 1915, to read as follows:

"Any member failing to pay the membership dues within three months after the same shall be due, shall forfeit such membership, but may be reinstated upon application to the General Secretary, and the payment of all dues in arrears, having first received the consent of the President of the Association thereto. *Any member failing to pay the membership dues within thirty days after the same shall be due shall forfeit right during the period such dues are thereafter in arrears to call upon the Protective Committee for aid in connection with any attempted or successful perpetration of fraud or crime upon such member during such period.*"

Note:—Under the old Constitution a member retained all rights and privileges for three months after the membership dues became payable. It developed in certain cases that a fraud or crime was perpetrated upon a member whose dues at the time were in arrears two months or over and that such member would then pay dues within the three months' limit and thus obtain the aid of the Protective Committee. It was deemed unfair to the general membership that expenses should be incurred in behalf of a member so long in arrears, especially as it is probable that, but for the perpetration of such crime, the dues would not have been paid and membership would have ceased.

The amendment as adopted was designed to limit the protective period to thirty days' arrears of dues instead of three months.

CIPHER CODE

It is important that all members of the Association carefully read the directions for the use of our code which appear on page VIII—*particularly the paragarph in italics.* A paster printed in red ink, dated June 1, 1914, was forwarded to all members of the Association, and if not now inserted between pages two and three it should be done at once.

On page II special instructions are given to the effect that all messages should begin with the proper code word to indicate that the words are taken from our book. On the same page special advice is given regarding the proper test-word to be used in connection with all coded telegrams. It is very important that members carry out these instructions.

Members desiring extra copies of the Code for their own use may secure same by applying to the General Secretary and remitting the cost price of $1 per copy.

Our Code is for the use of members only, as per the signed agreement on the card in the files of the Association. A copy of this agreement appears on page IV. Under no circumstances should a member decipher a telegram for a non-member. Banks not now enjoying the privileges of membership should send in their application and a code will be forwarded, together with other paraphernalia to which they will be entitled.

Members desiring to print on their letterheads or stationery "A. B. A. Code Used" or "American Bankers Association Code Used" may do so, as per authority granted by the Executive Council.

Attention of members is again called to the articles, "Confirmation of Telegrams" and "Open Telegrams," appearing on page 120 of the August issue of the JOURNAL-BULLETIN. Open telegrams should not be used for the purpose of transferring money by telegraph, for numerous frauds have already been committed when this has been done, and, therefore, our Code should be used for all such purposes.

REGISTRATION AT THE ASSOCIATION OFFICES

FOR THE MONTH OF OCTOBER, 1915

Allendoerfer, C. W., assistant cashier First National Bank, Kansas City, Mo.
Baltazzi, E. G. S., First National Bank, Boston, Mass.
Barrett, Frank Arthur, vice-president Bankers Service Company, Boston, Mass.
Bean, Robert H., treasurer Old South Trust Company, Boston, Mass. President American Institute of Banking Section A. B. A.
Blair, Frank W., president Union Trust Company, Detroit, Mich.
Branch, Col. James R., New York City.
Brecht, F. G., vice-president Prescott National Bank, Prescott, Ariz.
Coleman, C. D., Richmond, Va.
Cox, R. B., vice-president Webster & Atlas National Bank, Boston, Mass.
Crawford, John J., New York City.
Culp, George P., Rochester, N. Y.
Del Mar, Alex., president Latin-American Chamber of Commerce, New York City.
Dreher, H. J., assistant cashier Marshall & Ilsley Bank, Milwaukee, Wis.
Gibson, F. B., Washington, D. C.
Gilbert, Alexander, president Market & Fulton National Bank, New York City.
Goldwater, Morris, president Commercial Trust & Savings Bank, Prescott, Ariz
Harman, W. W., Detroit, Mich.
Heffernan, Joseph W., vice-president The Hibernia Bank, Savannah, Ga.
Higgins, Charles J., vice-president and cashier Federal State Bank, Detroit, Mich.
Kemmerer, E. W., Princeton University, Princeton, N. J.
Kniffin, Jr., W. H., vice-president First National Bank, Jamaica, N. Y.
Lersner, V. A., comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.
Lowry, Col. Robert J., president Lowry National Bank, Atlanta, Ga.
McHugh, John, vice-president Mechanics & Metals National Bank, New York City.
Partridge, L. W., Denver, Col.
Perry, Arthur L., Westerly, R. I.
Phelps, F. W., Seattle, Wash.
Phillips, D. C., London, England.
Priddy, Lawrence, vice-president National Life Underwriters Association, New York City.
Smythe, B. E., president Gramatan National Bank, Bronxville, N. Y.
Spencer, Carl M., assistant treasurer Home Savings Bank, Boston, Mass.
Sprague, O. M. W., Harvard University, Cambridge, Mass.
Stephenson, Rome C., vice-president St. Joseph County Savings Bank, South Bend, Ind.
Terhune, H. L., Hallgarten & Company, New York City.
Tilghman, Tench F., vice-president and cashier The Citizens Bank, Norfolk, Va.
Van Deusen, Walter M., cashier National Newark Banking Company, Newark, N. J.
Van Inwegen, Charles F., president First National Bank, Port Jervis, N. Y.
Wilkinson, W. C., cashier Merchants & Farmers National Bank, Charlotte, N. C.
Wolfe, Edmund S., cashier District National Bank, Washington, D. C. Secretary District of Columbia Bankers Association.
Wolfe, O. Howard, assistant cashier Philadelphia National Bank, Philadelphia, Pa.
Wright, M. N., assistant cashier First National Bank, Gardner, Mass.

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A NATIONAL BUDGET MEANS BUSINESS METHODS

Summed up, the idea involved in a national budget is simple. It means that the President and his Cabinet shall answer to themselves and to the country three prime questions regarding the nation's business:

1—How much money will be needed for the conduct of the government during the fiscal year?

2—What money is on hand; and from what sources shall the balance be raised?

3—What shall be the amount appropriated to each function performed by the government?

Stated in the above manner every business man, no matter how small his affairs; every farmer who plans ahead, every man in any way charged with the care of funds for others, will at once perceive that a national budget must be desired by all citizens who wish business-like methods applied to one of the big businesses of the nation—the government. Furthermore, they will perceive that if a little business needs system, then a big business, involving $1,000,000,000 expenditures a year, needs it still more.

From the moment the first national budget is presented to Congress the citizens of the whole nation can know as much as their congressmen as to the needs of the nation, and congressmen will know exactly what their own committees are called upon to consider in the way of appropriations—knowledge that has heretofore been impossible on the part of either the public or Congress as a whole.

A portrayal or picture of income and outgo has been difficult, or practically impossible under prevalent methods of Congress because heads of departments and establishments report estimates direct to Congress through the Secretary of the Treasury, which are thereupon arbitrarily assigned to as many as nine committees. The President as executive head of the nation's business has not been made directly responsible to the nation for the efficiency of the departments subordinate to him. Appropriation bills are not considered as related to each other or to the anticipated amount of public income. Minor officials in departments can approach committees directly for special favors, for bureaus, or special legislation introduced in an appropriation bill.

MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED DURING OCTOBER.

ADAIR, JAMES S.—President City National Bank, Kearney, Neb.
BAILEY, CHARLES H.—One of the founders of the Mississippi Valley Trust Company, St. Louis, Mo.
BALKAM, WILLIAM F.—Director Lincoln National Bank, Rochester, N. Y.
BAXTER, SETH H.—Cashier First National Bank, Pitcairn, Pa.
BEEBE, DECIUS.—President Melrose National Bank, Melrose, Mass.
BRINKLEY, W. G.—Assistant cashier Planters & Merchants Bank, Warrenton, Ga.
CAMBELL, ALEXANDER DOUGLAS.—Assistant cashier Hanover National Bank, New York City.
CONKLIN, WILLIAM BURKE.—Vice-President North West State Bank, Chicago, Ill.
COSGRIFF, THOMAS A.—President First National Bank, Cheyenne, Wyo.
CRILL, E. S.—President East Florida Savings & Trust Company, Palatka, Fla.
DREWS, WILLIAM F.—Cashier State Bank of Hopkins, Hopkins, Minn.
DUNHAM, SYLVESTER C.—Director Metropolitan Bank, New York City.
DUNN, MARTIN T.—President Citizens State Bank, Brainerd, Minn.
ELLETT, JOHN S.—Vice-President National State & City Bank, Richmond, Va.
FIFE, M. L.—President First National Bank, Blackwell, Okla.
FRYER, ROBERT LIVINGSTONE.—President Manufacturers & Traders National Bank, and Fidelity Trust Company, Buffalo, N. Y.
GIFFORD, GEORGE CHESTER.—President Wharton Bank & Trust Company, Wharton, Tex.
GRIFFIN, PATRICK F.—Trustee Excelsior Savings Bank, New York City.
HALSTEAD, JACOB.—Director First National Bank, Mamaroneck, N. Y.
HILL, JOSHUA.—President Oakland County Savings Bank, Pontiac, Mich.
HOPKINS, LUTHER J.—Cashier Porter State Bank, Porter, Okla.
HOWE, CHURCH.—President First National Bank, Auburn, Neb.
HUME, PETER.—President Bank of Sellwood, Portland, Ore.
JORDAN, R. C.—Vice-President First Savings Bank, Sutherland, Iowa.
LANDELL, EDWIN A.—President Kensington National Bank, Philadelphia, Pa.
LANE, JAMES H.—Vice-President First National Bank, Conway Springs, Kans.
LICHTENSTEIN, ALFRED.—Of Heidelbach, Ickelheimer & Company, New York City.
McCANTS, T. R.—President Farmers Union Bank & Trust Company, Orangeburg, S. C.
McELROY, JOHN E.—Vice-president Albany Exchange Savings Bank, Albany, N. Y.
MARTIN, C. C.—President First National Bank, Parkersburg, W. Va.
MAYNARD, W. E.—President First National Bank, Kingman, Kan.
MEYERS, CHARLES G.—President Farmers State Bank, Belvidere, Ill.
MILLER, PHILIP H.—Assistant Cashier Mechanics-American National Bank, St. Louis, Mo.
NASH, NATHANIEL C.—Director Cambridge Trust Company, Cambridge, Mass.
NILAND, JOHN.—President Colo Savings Bank, Colo, Iowa.
PALMER, LOWELL M.—Director Market & Fulton National Bank, New York City.
PENNELL, JAMES F.—Director Charles River Trust Company; vice-president and director Lechmere National Bank, Cambridge, Mass.
RAUB, WILLIAM L.—President La Rue Bank Company, La Rue, Ohio.
ROBINSON, W. LAKE.—Vice-president Farmers & Merchants National Bank, Cambridge, Md.
ROLLINS, FRANK W.—Of E. H. Rollins & Sons, Boston and San Francisco.
ROPER, LONSDALE GAN.—President The Bank of Roper, Roper, N. C.
RUSSELL, HENRY M.—Vice-President Dollar Savings & Trust Company, Wheeling, W. Va.
SCHWALBACH, JOHN F.—Director West Side Bank, Milwaukee, Wis.
SISSON, CHARLES F.—Vice-President City National Bank, Binghamton, N. Y.
SLEEPER, CHARLES.—Manager San Francisco Clearing House Association, San Francisco, Cal.
SPALDING, GEORGE.—President First National Bank, Monroe, Mich.
STICH, A. C.—Director Citizens National Bank, Independence, Kan.
SULLIVAN, CHARLES.—Director Bank of Anderson, Anderson, S. C.
SULLIVAN, DENNIS.—Vice-president and director Denver National Bank, Denver, Col.
TYLER, JAMES DANFORD.—Director Hudson National Bank, Hudson, Mass.
VAILE, W. P.—Vice-president First National Bank, Durango, Col.
WARD, ROBERT B.—Director Liberty National Bank and Franklin Savings & Trust Company, Pittsburgh, Pa.
WHITE, THOMAS STEWART.—Director City Trust & Savings Bank, Kent Trust Company and Michigan Trust Company, Grand Rapids, Mich.

A. G. CAMPBELL

A. G. Campbell, a member of the Executive Council of the American Bankers Association during the years 1897-1900, passed away at Nashville, Tenn., recently. His health had been impaired since the failure, two years ago, of the First Natchez Bank of Natchez, Miss., of which he was president.

ALEXANDER D. CAMBELL

Alexander Douglas Cambell, for thirty-four years connected with the Hanover National Bank of New York and assistant cashier of that institution, died October 12. Mr. Cambell had a wide acquaintance among members of the American Bankers Association and was a familiar figure at conventions.

LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

THE COMPOUNDING OF A FELONY FEATURE OF CERTAIN WORTHLESS CHECK LAWS

The form of proposed law which our Association has recommended and is advocating to punish the giving of checks against insufficient funds is as follows:

Any person who with intent to defraud shall make or draw or utter or deliver any check, draft or order for the payment of money upon any bank or other depositary, knowing at the time of such making, drawing, uttering or delivery that the maker or drawer has not sufficient funds in or credit with such bank or other depositary for the payment of such check, draft or order in full upon its presentation, shall be guilty of a (felony or misdemeanor), and upon conviction thereof shall be fined not more than five thousand dollars, or imprisoned not more than five years, or both. The making, drawing, uttering or delivering of such check, draft or order as aforesaid shall be prima facie evidence of intent to defraud. The word "credit" as used herein shall be construed to mean an arrangement or understanding with the bank or depositary for the payment of such check, draft or order.

Considerable success has attended the promotion of this statute, it having been enacted in a number of states either in the form recommended or with some variations. But a tendency is evidenced in some of the state legislatures to incorporate in the enacted measure a provision which seems pernicious and subversive of sound principles of law. For example, a statute enacted in South Carolina in 1909 making it a misdemeanor, punishable by fine or imprisonment, for any person to issue a check where there is not, at the time, sufficient funds to meet the same, contains this proviso:

"Provided, that if such person shall deposit with the drawee of such paper within thirty days thereafter funds sufficient to meet the same, with all costs and interests which may have accrued, the prosecution under this act shall be discontinued."

Likewise West Virginia in 1911 added to a similar law the following:

"Provided, however, that if the person who makes, issues and delivers any such check shall, within twenty days from the time he receives actual notice, verbal or written, of the protest of such check, pay the same, he shall not be prosecuted under this section, and any prosecution that may have been instituted within the time above mentioned shall, if payment of said check be made as aforesaid, be dismissed at the cost of defendant."

Again in Georgia the "check without funds" law enacted in 1914 contains this proviso:

"Provided that if such drawer shall deposit with the drawee of such paper within thirty days thereafter funds sufficient to meet such check, draft or order together with interest which may have accrued, there shall be no prosecution under the provisions of this act."

And the Legislature of Florida in an act passed this year to prohibit the drawing and uttering of checks when the makers have not sufficient funds on deposit makes such act a felony if the person

"shall not, within ten days after the giving and receipt of the notice of the dishonor hereinafter provided for, pay or cause to be paid the amount of such check, draft or order in current funds to the lawful holder thereof."

Provisions such as the above would seem to violate the principle which underlies the law against compounding a felony. In criminal law, compounding a felony is the offense of taking a reward for forbearing to prosecute, as where the party robbed agrees not to prosecute on condition of receiving his goods again. The purpose of the law in punishing this offense is thus stated in Shaw v. Reed, 30 Me. 105: "If it be the duty of every man, it is more especially the duty of persons injured, who have caused criminal prosecutions to be commenced, to appear against offenders, and not to make bargains to allow them to escape conviction, if they or their friends will pay a sum of money to repair the injury. To decide that such bargains might be lawfully made, would be to lend a helping hand to make public justice venal. To procure a compensation to be made to the person injured, is a subordinate object to the state, in causing crimes to be punished. It causes crimes to be punished, that they may not be committed with impunity, and therefore, become more frequent; that the rights of property and the inviolability of the person may not become less secure; that persons may depend upon the execution of the laws, rather than resort to physical force for the preservation and protection of their rights."

It would seem that the provisions of the "bad check" laws above referred to run directly contra to the underlying purpose and policy of the law which punishes the compounding of a felony. When a man issues his check knowing that he has not sufficient funds he is, under these provisions, guilty of a crime for which he will be punished unless he makes reparation; but if he makes reparation within a stated period, he will not be prosecuted. If it is the policy of the state to make criminal the person who, after being deprived of his money, receives it back on an agreement not to prosecute the offender, equally should it be against the policy of the law to provide that the person who has obtained money upon a worthless check may escape prosecution if he pays the money back within a specified time. Under such provisions a man is

or is not a criminal, after having obtained money upon a worthless check, according to his inability or ability and willingness to pay the money back. The inconsistency of enacting such provisions in the face of the positive provisions on the statute books which punish the compounding of a felony, is obvious and it is to be hoped that legislation of this character will not increase.

OPINIONS OF THE GENERAL COUNSEL

RIGHT OF DRAWEE TO REQUIRE GUARANTY OF PAYEE'S INDORSEMENT

Where a check is presented to the drawee bank by an express company, agent for collection, opinion that the drawee has a right to require a responsible guaranty of indorsement from the presenter as a pre-requisite of payment and refusal of payment because such guaranty is not given will not subject the drawee to liability to the drawer for dishonoring his check.

From Tennessee.—Should we attempt to collect checks on a certain bank through the express company, has the bank upon which checks are drawn the privilege of refusing to pay them unless indorsements are guaranteed by the express company? And should the express company refuse to guarantee indorsements, would the bank be held harmless if they refused to honor the checks, or would they be subject to damages at the hands of the drawers of checks for their failure to honor such checks?

I am inclined to think that the drawee bank would have a right to require a guaranty of indorsements by the express company, and if it refused payment because such guaranty was not given, that the drawer of the check could not hold the bank liable in damages for dishonoring his check. If the drawee was compelled to pay without such guaranty it would not be sufficiently protected in case the payee's or a prior indorsement should prove to be forged or unauthorized. In such case the payment could not be charged to the drawer's account and the express company, being a mere agent for collection, would not be responsible after it had paid over the proceeds of collection to its principal.

Originally, bank checks were made payable only to bearer, and when the practice sprang up of making checks payable to the order of specified payees, this threw upon the drawee the added burden of ascertaining, at its peril, the identity of the person named as payee and the genuineness of his signature. The courts in numerous cases in controversy between drawer and bank arising out of payments upon forged indorsements have held that the identity of the payee and the genuineness of his indorsement is a matter for which the bank and not the drawer is responsible, and if the bank does not pay to the right payee, or upon genuine indorsement, it cannot hold the drawer for the amount. Burdened with this responsibility, the bank, of course, must have the right to protect itself and this it does, where the check comes from a distance and it is impossible to determine genuineness of indorsement from an inspection thereof, by relying upon the responsibility of the presenter, where the latter is owner of the check, or if the presenter is an agent, by requiring a guaranty. The right to require such guaranty has been declared by at least one court, in a case where a check was paid upon forged indorsement and the drawer was held non-chargeable, as indicating a way in which the bank might have protected itself; but I know of no case wherein the right to require such guaranty has been the precise point at issue in an action by the drawer for refusing to honor his check because a guaranty was refused. However, in view of the fact that the courts place this burden of determining identity and genuineness upon banks and that the only practicable method of protecting themselves is by requiring a guaranty where a check is presented by an agent, it is reasonable to conclude that the bank's right would be upheld and that the drawer, where payment was refused because of a needed guaranty, would not be given damages for refusing payment of his check under such circumstances.

It will be instructive to extract the language from a few of the opinions of the courts in cases between bank and drawer arising out of payments upon forged indorsements, indicating the responsibility placed upon the banks of determining the identity of payees and the genuineness of indorsements, from which would follow the necessity of requiring guarantees of the indorsements in case of checks presented by agents.

The drawer "was entitled to assume that the bank before paying the check had ascertained the genuineness of the payee's apparent indorsement." Pratt v. Union Nat. Bank, 75 Atl. (N. J.) 313.

"The law imposes upon the bank on which a check is drawn payable to a certain person or order, the duty of ascertaining the identity of the person therein named as payee, and it is only when the bank has been misled by some act of negligence or other fault of the drawer that it will be justified in making payment of the check to any other than the person named therein as payee." Goodfellow v. First Nat. Bank, 129 Pac. (Wash.) 90, citing numerous cases.

"As in the present case the plaintiffs (drawers) were not in fact acquainted with Miss Young's (the payee's) signature and there is no ground for claiming that they ought to have known it, they did not fail in duty to the bank in not discovering the forgery on return of the check. Indeed, they were entitled to assume that the bank, before paying the check, had ascertained the genuineness of her apparent indorsement." Mechanics Nat. Bank v. Harter, 44 Atl. (N. J.) 715.

Where a check is presented by the payee, the bank has a right to require the payee to identify himself before making payment. The court said: "When, therefore, a check, considered with reference to the designs and object of it, is presented to the bank, the only request it can make through its officers is proof of identity when it is payable to the order of a person named. This proceeding does not involve acceptance.

however. The identification is not required for that purpose; on the contrary, it is for protection and because there is not to be an acceptance but immediate payment." Risley v. Phoenix Bank, 11 Hun, 486. This case was not between drawer and bank, but a suit by payee against bank on the theory that the bank had accepted the check by offering to pay it when the payee identified himself, the bank thereafter having refused to pay when such proof of identity was furnished.

"The ordinary rule is well established that the banker upon whom a check is drawn must ascertain at his peril the identity of the person named in it as payee. It is only when he is misled by some negligence or other fault of the drawer that he can set up his own mistake in this particular against the drawer * * * This check was returned to him (the drawer) with his pass book at the beginning of the next month after it was made and its payment appeared to be regular. He did not know Brown's (payee's) signature and he had no responsibility as to ascertainment of the identity of the person to whom payment was made. It was the duty of the defendant (drawee) to do that." Murphy v. Met. Nat. Bank, 77 N. E. (Mass.) 693.

"The bank's contract is to pay checks only upon a genuine indorsement. The drawer is not presumed to know, and in fact seldom does know, the signature of the payee. The bank must, at its own peril, determine that question. It has an opportunity, by requiring identification when the check is presented, or a responsible guaranty from the party presenting it, of ascertaining whether the indorsement is genuine or not. When it returns the check to the depositor as evidence of a payment made by his direction, the latter has the right to assume that the bank has ascertained the fact to be that the indorsement is genuine." Shipman v. Bank of State of New York, 126 N. Y. 328. See also Russell v. First Nat. Bank, 56 So. (Ala.) 871; Lieber v. Fourth Nat. Bank, 117 S. W. (Mo.) 672.

The language of the New York Court of Appeals in the Shipman case, last above quoted, is pertinent. The bank must determine the genuineness of the signature of the payee at its peril. Burdened with this responsibility, how then can it protect itself? "It has an opportunity, by requiring identification when the check is presented, or a responsible guaranty from the party presenting it, of ascertaining whether the indorsement is genuine or not."

Without further reference to the authorities, I think the conclusion is warranted that when a check is presented to the drawee bank by an agent for collection, the bank has a right to require a responsible guaranty from the presenter, and if this is not forthcoming, can refuse payment without being held responsible to the drawer in damages for dishonoring his check drawn against sufficient funds. While I can find no decision wherein the proposition here advanced was the question at issue, the logic of the situation and the obvious necessity that the drawee be protected before paying the check would seem to point inevitably to this conclusion. The right to a guaranty would not be so clear where the check was presented by a bank which held it as owner and not as agent for collection, as in such case there would be a liability of the presenter irrespective of any guaranty.

PAYMENT OF CHECK TO PAYEE NAMED BUT NOT INTENDED

Where drawer, intending to pay J. W. Spencer, makes and mails his check to C. E. Spencer, opinion that payment by drawee on indorsement of latter is good and chargeable as it is drawer's own fault that person intended did not receive the money.

From Arkansas.—Our customer sent a check through the mail to one C. E. Spencer, making the check payable to the order of C. E. Spencer. The check and the payment to be made by the check was intended for J. W. Spencer. The check was presented to us by one Jones and was indorsed C. E. Spencer and was also indorsed by Jones. Jones has disappeared and cannot be located. Who is liable for the payment to the wrong party? We claim that the check was received and indorsed by C. E. Spencer in the absence of contrary proof, and if indorsed by C. E. Spencer we could not be held liable, although the payment was intended for J. W. Spencer.

The law imposes upon the drawee bank the duty of ascertaining the identity of the payee and the genuineness of his signature, and payment upon a forgery is not ordinarily chargeable to the drawer. It is only when the bank has been misled by some act of negligence or other fault of the drawer that it will be justified in making payment of the check to any other than the person named therein as payee.

The above proposition has been settled as law by numerous decisions. See Goodfellow v. First Nat. Bank, 129 Pac. (Wash.) 90, citing a number of supporting cases.

In your case it is not clear that the check was paid upon a forgery. The drawer intended to pay J. W. Spencer, but made his check payable and mailed same to C. E. Spencer. It seems to me, assuming the check was indorsed by C. E. Spencer, to whom it was mailed, your contention is correct that payment would be good and chargeable. The bank would have no means of knowing that the drawer did not intend it for C. E. but for J. W., and it would be a case where payment to one other than intended by the drawer was the natural result of his own fault.

In Weisberger Co. v. Barberton Savings Bank, 95 N. E. (Ohio) 379, the drawer being indebted to Max Roth, of 48 Walker Street, New York City, made his check payable to Max Roth, but inadvertently mailed it to "Max Roth, 48 Walker Street, Cleveland, O." The letter was delivered by the post-office authorities in Cleveland to a person whose name was Max Roth, who lived on Henry Street; this Max Roth indorsed and negotiated the check and it was paid by the drawee. In an action by the drawer against the bank the court held that the drawer of the check was first in fault and, as his negligence contributed directly to its wrongful and fraudulent appropriation, he was not entitled to recover. The court said: "In the case at bar it appears that neither the depositor nor the bank intended to commit any wrong, and we may apply a rule, the substance of which is that where one of two innocent

parties must suffer because of a fraud or forgery, justice imposes the burden upon him who was first at fault and put in operation the power which resulted in the fraud or forgery."

Under the above principle it would seem that in the case submitted by you the loss would fall on the drawer rather than on the bank.

FORGERY OF DRAWER'S SIGNATURE

In Pennsylvania, drawee paying check on forgery of drawer's signature can recover from holder receiving payment under Act of 1849 provided prompt notice of forgery is given—Question of what is prompt notice somewhat uncertain under Pennsylvania decisions.

From Pennsylvania.—On August 19 a check was drawn on this bank in favor of W. A. Brown, a person unknown to us, and signed by G. S. Green, one of our customers. The check was indorsed by W. A. Brown and cashed by a local merchant. The merchant indorsed the check and deposited it in the X National Bank of this place. The X National Bank indorsed the check with the usual "all previous indorsements guaranteed" stamp and the check was paid by us to them on August 20. Our customer, G. S. Green, had his passbook balanced on October 11 and discovered the above check to be a forgery of his signature, and returned the check to us. Can we recover from any one and if so from whom?

The general rule applied by the courts in a majority of the states is that a bank which pays a check upon a forgery of the drawer's signature is bound by its mistake and can neither charge the amount to its customer's account nor recover from a bona fide holder who has received payment. But an exception to this rule exists in the state of Pennsylvania by reason of the Act of April 5, 1849, under which money paid upon a forged signature is declared to be recoverable from the person or persons previously holding or negotiating the forged instrument. The Supreme Court of Pennsylvania, in Union National Bank v. Franklin National Bank, 94 Atl. 1085, decided last May, has held that this act is still in force and was not repealed by the Negotiable Instruments Act, passed in 1901.

Under the Act of 1849, however, the Pennsylvania courts have held that to entitle the drawee to recover, prompt notice of the forgery must be given, and that delay in giving notice will relieve the person receiving payment from liability unless he is not prejudiced by such delay. In the case stated by you the right of recovery by your bank, as drawee, would depend upon whether notice, which I presume you gave on October 11, as soon as you were advised of the forgery by your customer, would be held reasonably prompt to satisfy the requirements of the law. In other words, whether the notice of a forgery given nearly two months after the forged check was paid would be in time to entitle you to recover the money from the holder who received payment. This, I think, is a somewhat doubtful question under the existing Pennsylvania law. In a leading case under the Act of 1849, Iron City National Bank v. Fort Pitt National Bank, 159 Pa. 46, the drawee paid a forged check and five days later discovered that the drawer's name had been forged. In the meantime defendant bank had actually paid out the money received from the check. It was held that the drawee could not recover. The court said that if the one receiving the money could recoup himself therefrom without loss, the date of notice became immaterial; but otherwise the drawee must act with due diligence in order to recover. The following language of the court in that case is significant: "In the present case * * * in all probability the forgery would not have been discovered until the deposit book of the supposed drawers * * * came in for settlement, had not the defendants * * * called to start the investigation which resulted in the discovery. This must be pronounced a want of due diligence. The drawee is still presumed to know the drawer's signature * * * though the first slip is no longer conclusive against him. But having finished his examination, dismissed the subject from further attention and allowed five days to elapse, during which the party receiving the money had paid it out in reliance upon the plaintiff's act, the latter could not be allowed to say that he acted with due diligence."

If the view of the law taken by the court in the above case would be held to apply at the present day, there could be no recovery in your case, as the customer's passbook was not balanced until nearly two months after the forged check was paid, and this delay would be fatal to the right of recovery unless the holder receiving payment still had the funds in his hands. But after a bank once makes a mistake and pays a check upon a forged signature it is the usual course to file same away without further examination, and the forgery naturally will not be discovered until the vouchers are returned to the customer. If this is done in due season according to the usual method, and the forgery thereupon promptly discovered and notified, it would seem that a strong argument could be made that there was no lack of reasonable diligence upon the part of the bank and that recovery should be allowed under the Act of 1849. However, as said, the question is somewhat uncertain, and if the decision in the Iron City bank case is to be applied there would be no right of recovery in the case stated by you, unless the holder receiving payment was not prejudiced by the delay of two months.

SECURED DEBTS TAX LAW OF NEW YORK

National and state banks owning secured debts not subject to taxation thereon.

From New York.—Please inform us if it is generally understood and is your opinion that banks in this state because of the capital tax (the text of which at the time of enactment stated that it should be in lieu of all other taxes) do not come under the newly enacted Secured Debts Tax Law as regards securities owned by the bank. Is there any difference in the status of national and state banks in this regard in this state?

Section 24 of the Tax Law, which contains pro-

visions for the assessment of shares of stock of national and state banks, provides:

"The rate of tax upon the shares of stock of banks and banking associations shall be one per centum upon the value thereof, as ascertained and fixed in the manner hereinbefore provided, and the owners of the stock of banks and banking associations shall be entitled to no deduction from the taxable value of their shares because of the personal indebtedness of such owners or for any other reason whatsoever * * * The said tax shall be in lieu of all other taxes whatsoever for state, county or local purposes upon the said shares of stock, and mortgages, judgments and other choses in action and personal property held or owned by banks or banking associations the value of which enters into the value of said shares of stock shall also be exempt from all other state, county or local taxation * * * This section is not to be construed as an exemption of the real estate of banks or banking associations from taxation."

The new Secured Debts Tax Law (Chapters 169 and 465, Laws 1915) is a permissive measure. The owner of any secured debt after May 1 and before November 1, 1915, "may pay to the state a tax of three-quarters of one per centum on the face value thereof," and all secured debts upon which such tax is paid "shall thereafter be exempt from all taxation in the state or any of the municipalities or local divisions of the state except as provided in Sections 24, 187, 188 and 189 of this chapter and in Articles 10 and 12 of this chapter for the period of five years from the payment of such tax." The law contains a further provision, as follows:

"The owner of any secured debt, on which the tax provided for in this article has not been paid, shall be assessed upon such secured debt in the taxing district in which he resides, upon the fair market value of such secured debt, and no deduction for the just debts owing by him shall be allowed against the assessed value of such secured debt, as provided in Section twenty-one of this chapter or elsewhere in this chapter or in any other law of this state."

Having these provisions before us, your question is whether national and state banks, because of the one per cent. tax on bank shares in lieu of all other taxation except real estate taxed directly to the bank, do or do not come under the provisions of the newly enacted Secured Debts Tax Law because of secured debts owned by the bank; and whether there is any difference in the status of national and state banks in this regard.

In the case of secured debts owned by state and national banks, I think there is no need to pay the tax and that the provision of the new law that the owner who does not pay the tax shall be assessed upon the fair market value of the secured debt without deduction for just debts has no application to state or national banks. Clearly not as to national banks, because the state cannot tax national banks except as Congress permits, and Congress has not permitted state taxation of the banks themselves except as to real estate, but simply taxation of the banks' shares as the property of the individual owners. National banks owning secured debts cannot, therefore, be taxed thereon. Nor do I think the provision of the secured debts law just referred to is to be construed as applying to state banks. Section 24 of the Tax Law provides a one per cent. tax upon bank shares in lieu of all other taxation, and exempts the banks themselves from taxation upon their personal property. Secured debts owned by a bank enter into the tax value of the shares and the provision for taxation of the owner of secured debts cannot, I think, be construed as applying to a state bank owning secured debts. Such a construction would result in double taxation of such securities, once to the bank and again as part of the value of the shares taxed to the individual owner; it would also be an implied repeal of the provision of Section 24, that "mortgages, judgments and other choses in action and personal property held or owned by banks or banking associations the value of which enters into the value of said shares of stock shall also be exempt from all other state, county or local taxation."

There is a further provision of the secured debts law that all secured debts upon which the tax has been paid "shall thereafter be exempt from all taxation in the state or any of the municipalities or local divisions of the state, except as provided in Section 24 * * * for the period of five years from the payment of such tax." This must mean that if the bank owns secured debts upon which the tax has been paid, the security will nevertheless enter into the value of the shares upon which taxes are paid and cannot be deducted. But otherwise the Secured Debts Tax Law does not, I think, affect the one per cent. tax system, and a national or state bank owning secured debts is not taxable thereon; the latter because exempted from all taxation on personal property by Section 24 of the Tax Law, in view of the tax on shares, and the former class of banks for the additional reason that the state cannot, in any event, tax a national bank upon its personal property.

COMPETENCY OF NOTARY

Where mortgage to A is acknowledged before notary who is brother of A, relationship to the mortgagee does not disqualify the notary and the acknowledgment is valid.

From Nebraska.—A takes a mortgage from B and wife on their farm land. A's brother takes the acknowledgment as notary public, having no interest in the consideration. Would the relationship of the notary public and A, holder of the mortgage, affect its validity?

It is generally held, where the taking of an acknowledgment is deemed a ministerial act, that an officer who is not beneficially interested in the conveyance will not be disqualified by reason of relationship to one of the parties thereto. Welsh v. Lewis, 71 Ga. 387; Benson Bank v. Hove, 45 Minn. 40; Helena First Nat. Bank v. Roberts, 9 Mont. 323; Lynch v. Livingston, 6 N. Y. 422; McAllister v. Cornell, 124 N. C. 262. In the last cited case the court said: "There is no principle of law, nor precedent, which invalidates an ac-

knowledgment and privy examination taken before an officer who has neither any interest in the instrument nor is a party thereto, simply because he is related to the parties. Such proceeding is not advisory, and acknowledgment and privy examination are in the nature of declarations against interest of the relatives making them. The persons claiming thereunder are strangers. Certainly an officer can administer an oath to a relative in an ex parte proceeding in which the officer is neither a party nor interested, and this is of no higher dignity. While propriety might discourage an officer taking acknowledgment and privy examination of instruments where the parties thereto are nearly related to him, there is no illegality attaching to his action." (Cited, with approval, in Holmes v. Carr, 163 N. C. 122).

The only Nebraska cases that I can find which would indicate the rule in your state are Horbach v. Tyrrell, 48 Neb. 514, and Banking House v. Stewart, 70 Neb. 815. In the former case it was held that whether or not a notary public was disqualified by reason of relationship or interest from taking an acknowledgment must be determined from the circumstances of the case. In the latter case it was held that a clerk in a private bank, who is the son-in-law of the owner of the bank, and who, although designated as cashier, has no pecuniary interest in the bank except salary, is not disqualified by interest from taking an acknowledgment as notary to a mortgage given to the bank.

While a son-in-law is not a blood relation as is a brother, I think the case last cited is near enough to the question at issue to authorize the conclusion, especially in the light of what has been held elsewhere, that the acknowledgment of a mortgage from B and wife to A, taken before A's brother as notary, is valid in Nebraska.

ATTORNEY'S FEE NOTE

Valid and negotiable under the law of New Jersey.

From New Jersey.—Will you kindly advise if we use the following form for a note whether the clause covering the attorney's fees will invalidate the note in the state of New Jersey:

> \$.... ...., N. J., ...191
> .... after date, for value received,
> .... promise to pay to ....
> or order .... dollars at
> the .... National Bank ....
> N. J.
> To bear interest at the rate of .... per cent. from date of this note, and further hereby agree that if this note is not paid when due to pay all costs necessary for collection, including ten per cent. for attorney's fees.
> Due............ Name.................
> No............. Address................

Under the law of New Jersey a note containing a provision for attorney's fee if not paid at maturity is both valid and negotiable. In Mackintosh v. Gibbs, decided by the Court of Errors and Appeals of New Jersey in 1911, 80 Atl. 554, the court used this language:

"The effect of a provision for attorney's fees, to be added in the event of suit brought, has given rise to some difference of opinion, but the greater weight of authority, and also the better reasoning, as we think, is in favor of the negotiability of notes containing such a provision, which becomes effective only in case of default in payment of the note at maturity."

The above indicates not only that negotiability of the note is not affected by a provision for attorney's fee but also that such a provision is valid and becomes effective upon default in payment at maturity. The Negotiable Instruments Act of New Jersey also expressly provides that negotiability is not affected by a provision that the instrument is to be paid "with costs of collection or an attorney's fee in case payment shall not be made at maturity." It follows that the form of note submitted by your bank is both valid and negotiable.

TAX CLAUSE IN MORTGAGE

Clause that mortgagor shall pay taxes levied upon mortgage or debt secured or against holder, formerly held to render note non-negotiable but statute now provides negotiability unaffected—Where loan at highest legal rate transaction probably usurious.

From Nebraska.—Under the Nebraska laws if a real estate mortgage draws ten per cent. interest and contains the following clause:

> "The mortgagor herein hereby agrees that he will and shall pay all taxes levied upon this mortgage or on the debt secured thereby, or against the legal holder thereof by reason of the same."

Would this provision render the transaction usurious and non-negotiable?

Under Nebraska decisions such a clause formerly rendered the note non-negotiable. In Allen v. Dunn, 71 Neb. 831, the court said:

"It is disclosed that the mortgage contains a provision in the language following: 'It is further agreed that, in case any taxes or assessments shall be levied against the legal holder of this indebtedness on account of this loan, within the state or territory in which the property mortgaged shall be situate, the said party of the first part agrees to pay the same.' • The note and mortgage were executed on the same day and are parts of the same transaction, and must be construed together. In the case of Consterdine v. Moore, 65 Neb. 296, this court had under consideration a mortgage containing a condition identical in language with that quoted above; and in that case it was expressly held that such a provision in a mortgage rendered the note which it secured, the note and mortgage being parts of the same contract, non-negotiable. To the same effect is Garnett v. Meyers, 65 Neb. 287. We are content with the doctrine announced in these cases, and upon their authority the note in controversy is non-negotiable, and it follows that appellants are in no better position than the payee named in the note."

But by statute enacted in 1911 (Rev. Stat. Neb. Sec. 6351) it is expressly provided that "such agreement contained in the mortgage will not destroy the negotiability of any note secured thereby." Under this provision the negotiability of the note is not affected.

The effect of the clause would probably render the transaction usurious. It has been held that when the lender requires of the borrower that he pay in addition to the highest legal interest the taxes that may be assessed to the lender on account of the loan, thus foisting upon the borrower his own obligation, it is clear on principle that the lender is guilty of usurious exaction. Green v. Grant, 134 Mich. 462; Mortimer v. Pritchard, Bailey Eq. (S. C.) 505; Meem v. Dulaney, 88 Va. 674. However, a provision in a mortgage securing notes which requires the mortgagor to pay the taxes on the mortgaged property does not render the notes usurious where the mortgagor is by statute the holder of the legal title and liable for taxes. (Union Mortgage etc. Co. v Hagood, 97 Fed. 360.) The Nebraska statute on this subject provides as follows: "In the absence of stipulations to the contrary, the mortgagor of real estate retains the legal title and right of possession thereof." (Cobbey's Anno. Stat. Neb. [1903] Vol. II, Sec. 10257.)

But the clause in the present mortgage does not require the mortgagor to pay the taxes on the mortgaged property, but upon the mortage or the debt or taxes levied against the holder, and this, according to the decisions, would probably render the transaction usurious.

REVOCATION OF CHECK BY DRAWER'S DEATH

Death of drawer revokes authority of bank to pay his check and payment with notice or knowledge of death is at bank's peril in absence of statute providing for payment after death of drawer.

From West Virginia.—A gives B a check in the afternoon and dies that evening. B presents check for payment at the bank on which it is drawn the next morning. Should the bank pay the check (a) Where the bank has notice of the death of the drawer? (b) Where the bank has no notice but knows of his death? Kindly give me both the law of West Virginia and of Ohio on this subject.

The general rule of law is that the death of the drawer revokes the authority of the bank to pay his check, and if the bank pays such check after notice of the drawer's death, or having knowledge of such death, the payment is without authority and at its peril. But should the bank pay without knowledge of the drawer's death the payment is good and chargeable. Glennan v. Rochester Trust & Safe Deposit Co., 102 N. E. (N. Y.) 537.

The above is the general rule of law in the absence of statute. In a few states statutes have been enacted providing for the payment of checks within a limited period after the drawer's death. There is a statute in West Virginia, but its application seems to be limited to savings banks, as follows:

Every such savings bank is authorized and empowered to pay any order drawn upon it by any person who has funds on deposit to meet the same, notwithstanding the death of such drawer in the interval of time between signing such order and its presentation for payment, when said presentation shall be made within thirty days after the date of such order, and at any subsequent period; *provided*, the depository has not received actual notice of the death of the drawer.

I doubt if the above statute would apply to other than a savings bank. In Ohio there is no statute, and the general rule on the subject as above stated prevails.

EXTENSION OF PAYMENT CLAUSE IN NOTE

Where clause in note contains consent to extension of time of payment after maturity, opinion that extension by holder to principal debtor before maturity would release sureties, except those primarily liable as makers.

From Oklahoma.—I am enclosing one of our note blanks which contains a waiver of protest and extension of payment clause recommended by the Federal Reserve Bank of Kansas City in its circular No. 11 issued February 17, 1915. You will note that the extension of payment clause provides that "after maturity, the time of payment may be extended," etc. I understand that this clause is so worded in order to remove any question as to the negotiability of the note. Suppose, however, that one of the makers comes in before the note is due and asks to extend for a time and offers to pay the interest for such extension. Would it be safe to grant such extension and accept the payment therefor before the note becomes due or would the holder of the note by so doing release the other makers, indorsers, etc. In other words, what would be the effect on the relations of the various parties to such a note of granting an extension of the time of payment thereon before its maturity. In view of the fact that the form referred to is the one recommended by the Federal reserve bank of this district, it would seem as though this question would be one of quite general interest.

The clause referred to is as follows:

"The makers, indorsers, sureties, guarantors and assignors of this note severally waive demand, presentment for payment, protest and notice of protest and non-payment, and agree and consent that, after maturity, the time for its payment may be extended from time to time by agreement between the holder and any of them, without notice, and that after such extension or extensions the liability of all parties shall remain as if no extension had been had."

The question is asked if, before maturity of the note, the bank granted to a maker a binding extension of time of payment and accepted payment of interest in advance, what would be the effect upon the liability of the other parties?

As the consent to extension contained in the note applies only to an extension made after maturity, I do not think it would be construed as a consent to an extension otherwise made, namely, before maturity, and as a result the non-consenting guarantors or indorsers who had signed on the back of the note would be discharged, although accommodation or surety makers who signed on the face of the instrument would remain liable.

The reason for this distinction is found in the provisions of the Negotiable Instruments Act. At common law a binding extension of time of payment to the principal debtor, without the consent of the surety, released the latter from liability, whether the surety signed on the face of the instrument as maker or on the back as guarantor or indorser. But the courts in a number of states have held that this rule of the common law has been abrogated by the Negotiable Instruments Act so far as surety makers are concerned. A surety maker is primarily liable, and the act provides five specific methods by which a negotiable instrument or a person primarily liable thereon may be discharged, and among these is no provision for discharge of a person primarily liable as surety by reason of extension of time of payment without his consent. At the same time the act provides that a person secondarily liable may be discharged, among other ways, "by any agreement binding upon the holder to extend the time of payment, or to postpone the holder's right to enforce the instrument, unless made with the assent of the person secondarily liable or unless the right of recourse against such party is expressly reserved." The courts in a number of cases have held that these provisions are exclusive and that sureties upon negotiable instruments who are primarily liable thereon cannot be otherwise relieved from responsibility for their payment. In Richards v. Market Exchange Bank Co., 90 N. E. (Ohio) 1000, it is held that the rule of the common law that any agreement between the holder of a promissory note and the principal which varies essentially the terms of the contract by which a surety is bound without the consent of such surety will work his release from liability is no longer in force as to one who has signed on the face of the instrument; such rule having been in effect abrogated by the Negotiable Instruments Act. To like effect are the following cases: Edmonston v Ascough, 95 Pac. (Col.) 313; Vanderford v. Farmers Bank, 66 Atl. (Md.) 47; Lane v. Hyder, 147 S. W. (Mo.) 514; Wolstenholme v. Smith, 97 Pac. (Utah) 329; Cellers v. Meachem, 89 Pac. (Ore.) 426.

But as to a guarantor or indorser who signs on the back and who is secondarily liable, the provisions of the statute declaring that a person secondarily liable is discharged by any agreement binding upon the holder to extend the time of payment without his consent would apply. See Northern State Bank v. Bellamy, 125 Mo. (N. D.) 888.

I think, therefore, a binding agreement by the bank with the principal debtor to extend the time of payment of a note upon the form submitted, made before maturity of the note, would discharge the guarantor or indorser whose signature was on the back of the instrument, but would not release from liability a surety who signed as maker.

N. Y. WORKMEN'S COMPENSATION ACT HELD VALID

A few years ago the Court of Appeals of New York in the case of Ives v. South Buffalo Ry. Co., 201 N. Y. 271, 294, 94 N. E. 431, 34 L. R. A. (N. S.) 162, held the Workmen's Compensation Act enacted by the New York Legislature invalid. Following this, a constitutional amendment was adopted giving authority for an act of this character which was subsequently passed in 1914. The new act comes before the court in the case of Jensen v. Southern Pacific Co., 109 Northeastern Reporter, 600, and in re Walker, 109 Northeastern Reporter, 604. Appellant in the first case sought recovery under the act for the death of her husband killed while employed in unloading a steamship engaged in interstate commerce. The court holds that the act is so different from the one held invalid in the Ives Case that it cannot be considered as authority for defeating the latter one, and that the constitutional amendment above noted gave full authority to the Legislature for the enactment. It also holds that it does not constitute any violation of the Federal Constitution, that it imposes no burden upon interstate commerce, and does not interfere with any congressional regulation thereof. In the Walker Case it was claimed that, as the accident occurred on a steamship lying alongside a pier in the Hudson river, it was one of admiralty jurisdiction. The court holds, however, that as the United States Judicial Code in prescribing admiralty jurisdiction saves to suitors in all cases the right of common-law remedy, it is evident that the jurisdiction of admiralty is not exclusive, and that the Workmen's Compensation Act does not encroach on the authority of the admiralty courts.

TRUST COMPANY SECTION

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FEDERAL RESERVE BOARD INTERVENES IN TRUST COMPANY SUIT ON PARAGRAPH "K"

In the case of the five trust companies of Michigan, which was brought by the attorney-general in quo warranto in the supreme court of that state, to test the constitutionality of the provision of the Federal Reserve Act which authorizes the granting of trust company powers to national banks, the Federal Reserve Board has been given permission to intervene and file a brief. The defendant in the brief is the First National Bank of Bay City.

It was always the contention of the Trust Company Section, acting through its officers and Executive Committee, that the Federal Reserve Board should first have asked the opinion of the Attorney-General of the United States as to its right to grant these powers.

The Board neglected to do this and its intervention on behalf of the defendant bank in the present case will do much to clarify the questions involved. The issues are now joined and it is hoped that an early decision may be reached.

As bearing on the contention of the trust companies that the exercise of trust company powers, including more particularly executorships, trusteeships, etc., required a highly specialized knowledge of the various details of such functions and should not be lightly entrusted to institutions or individuals not qualified by previous business experience, the recent informal ruling of the Federal Reserve Board, published in the October number of its *Bulletin*, is of great interest:

REQUIREMENTS AS TO APPLICATIONS TO RESERVE BOARD OF TRUSTEE POWERS

By direction of the Board this letter is sent for your guidance in passing upon the applications of national banks for the privilege of exercising the powers of trustee, registrar, executor and administrator.

All applications from applying banks must be transmitted first to the Federal reserve agent of the district in which the bank is located, who will forward the applications with his recommendations to the Federal Reserve Board. The Federal reserve agent in making his recommendations is expected to take into consideration the general standing of the bank, character of its management and its fitness to exercise the fiduciary powers applied for, as well as the benefits that the community in which the bank is located will be apt to receive from the exercise of such powers by the bank. Special weight will be given by the Federal Reserve Board to the approval or disapproval of the Federal reserve agent. Applications that are recommended by him for approval will be referred by the Board to a committee which, after careful examination of the records on file in the office of the Comptroller of the Currency relating to the business and the management of the bank, will report to the Board favorably or adversely, as the case may be, upon application.

In addition to the points above outlined, the Board's committee considers the strength of the bank as shown by its statements and by the examiner's reports, and especial weight is attracted to the observance on the part of the bank of the requirements of law and of the regulations and admonitions which are sent out from time to time by the Comptroller's office.

It is not, as a rule, deemed advisable to grant permits for the exercise of fiduciary powers to a national bank—

(1) Where its surplus does not amount to at least twenty per cent. of its capital stock.

(2) Where reports show that it is carrying an excessive amount of past due or doubtful paper.

(3) Where it is carrying real estate loans not authorized by law.

(4) Where it is shown that the bank is in the habit of granting excessive overdrafts continuously.

(5) Where the loans of the bank are not well distributed, by reason of an excessive proportion of the total loans having been granted to a few interests, or where loans made to officers and directors are too large in proportion to the total amount of loans, or are not well secured.

(6) Where the examiners have reported that the directors do not direct or are lax or negligent in their attendance at board meetings or in giving attention to the bank's management and direction.

Federal reserve agents, in making their recommendations, are expected to pay particular attention to the strength of the management of the bank from a moral standpoint, and should decline to recommend any application where they feel that the officers of the bank, as individuals, would not be worthy of being entrusted with the management of trust funds or the administration of estates.

September 10, 1915.

"TRUST COMPANY FORMS"

The selections cover all departments of the trust company, and it is believed offer practical "forms" for carrying out all of the various banking and trust functions which may fall to the lot of an active company.

The selected forms have been reproduced by photographic process (one-half the original dimensions), bound in full morocco, leather lining, gilt edges, in handsome and durable shape—11 x 14 inches in size—and are for sale to members of the Association for $15 each, and to non-members at $20. Some 550 different forms have been reproduced, making a book of 145 pages, fully indexed. Subscriptions may be sent to P. S. Babcock, Secretary Trust Company Section, Five Nassau Street, New York.

COMMITTEES OF TRUST COMPANY SECTION

In accordance with the action of the recent convention of the Trust Company Section in Seattle the Chairman of the Executive Committee has appointed the following sub-committees:

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Committee on Protective Laws

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Mississippi—J. M. Hartfield, president Merchants Bank & Trust Company, Jackson.

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New Jersey—William C. Heppenheimer, president Trust Company of New Jersey, Hoboken.

New York—P. W. Shepard, secretary-treasurer Mount Vernon Trust Company, Mount Vernon.

North Carolina—James A. Gray, vice-president Wachovia Bank & Trust Company, Winston-Salem.

Ohio—E. L. Howe, treasurer Superior Savings & Trust Company, Cleveland.

Oregon—Emery Olmstead, vice-president Portland Trust & Savings Bank, Portland.

Pennsylvania—Montgomery Evans, president Norristown Trust Company, Norristown.

Rhode Island—Aram J. Pothier, president Union Trust Company, Providence.

South Carolina—John F. Ficken, president South Carolina Loan & Trust Company, Charleston.

South Dakota—D. H. Lightner, vice-president Citizens Trust & Savings Bank, Aberdeen.

Tennessee—Charlton Karns, president Knox County Bank & Trust Company, Knoxville.

Texas—Edwin Chamberlain, vice-president San Antonio Loan & Trust Company, San Antonio.

Vermont—Henry L. Ward, president Burlington Trust Company, Burlington.

Virginia—E. L. Bemiss, president Richmond Trust & Savings Company, Richmond.

Washington—James C. Cunningham, vice-president Union Trust & Savings Bank, Spokane.

West Virginia—J. T. Davis, vice-president Davis Trust Company, Elkins.

Wisconsin—Gardner P. Stickney, vice-president Wisconsin Trust Company, Milwaukee.

SAVINGS BANK SECTION

MODEL CAMPAIGN FOR THRIFT CONDUCTED IN A COUNTRY BANK COMMUNITY

Bradford, O., is a typical railroad town—the meeting point of two of the Pennsylvania's trunk lines. It has two banks, the usual quota of stores, churches, a very creditable public school, an excellent Railroad Y. M. C. A., and boasts a population of 1,800, one-quarter of which represents children. It has no saloons.

Aside from mercantile pursuits the town is supported by the Pennsylvania Railroad. The homes are simple but substantial, the children well dressed, well fed, intelligent, and the men are employed at good wages. Whether or not Bradford saves its full measure is problematical—one bank has deposits of $200,000 and 1,200 open accounts, a very good showing.

In this environment on October 18, 19 and 20 was carried out the first systematic community thrift campaign in the United States. The aim was to reach every man, woman and child and impress upon them, through pictures, pamphlets and the spoken word, the importance and benefits of thrift. The "Thrift Exhibit" of the Savings Bank Section, consisting of twenty or more thrift cartoons, and the "stereomotorgraph," the first cousin of the moving picture machine, automatically showing lantern slides, while the three-reel "movie," the "Reward of Thrift," prepared under the supervision of the Savings Bank Section, was the big attraction. Free movies always bring the crowds.

The Y. M. C. A. Secretary for Thrift failing at the last moment, the Savings Bank Section was appealed to to save the day, and was able to secure the services of our past secretary and member of the Savings Bank Centennial Committee, W. H. Kniffin, Jr., for the three days.

The meetings had been well advertised by placards and newspaper announcements, and an air of subdued interest was manifest. A clever device was conceived to attract attention to the daily meetings in the form of a "sandwich man," disguised each day, and a reward offered for his identification. It worked admirably.

The campaign was under the supervision of thirteen citizens, who formed the "Thrift Committee," representing various interests. On Sunday "Thrift" was the subject of the sermons in the churches. On Monday a "Thrift Luncheon" was held to perfect the arrangements and make final plans.

The pupils of each room in the school were brought over to the Thrift Exhibit by the teachers, and the meaning of the various pictures was explained to them. Then followed a talk to the senior pupils on "Willie's Jelly Doughnut," which emphasized the evils of waste in the home, particularly of food by children, as leading to wasteful habits in later life. In the evening the village band drew all the townsfolk to see the movie on the Y. M. C. A. lawn.

On Tuesday the men in the shops were addressed in a noon-day talk on "You and Your Job," the central

Explaining What the Thrift Pictures Mean

point being that a thrifty workman is the best-paid workman, is sure of his job, and the success of the undertaking depends in a large measure upon the quality of the work done, the waste that is eliminated and the rendering of full value for the wage received.

Tuesday afternoon was given to the small children, and they were shown the value of self-denial and the necessity of sacrificing little things in order to enjoy greater ones in an object-lesson talk, "Lolypops and Bank Accounts."

On Tuesday night the movie was repeated, being preceded by an address on "You and Your Money," in which was set forth the benefits of a bank to the community, the individual and the nation, and the general principles of money and investments were discussed. This meeting saved one woman from an ill-advised investment involving nearly $1,500.

On Wednesday noon the men in the shops were again addressed on the subject "Giving Your Boy a Good Start," aiming to show that the best asset a boy can have is the general habit of thrift, both of time and money, with which he is sure to succeed, and without which he risks certain failure.

In the afternoon the women of the town gathered at the association building to discuss "Thrift in the Home," and home management was treated informally and practically.

The big effort of the week was reserved for the closing meeting on Wednesday night, when the school auditorium was well filled with adults. The village band played its best and the village quartette sang its sweetest in the cause of thrift. Addresses were made by Monte J. Goble, cashier of the Fifty-third National Bank of Cincinnati, and Mr. Kniffin, the latter taking for his subject "Treating Your Porterhouse Right." He presented thrift and waste in their nation-wide aspects.

Bradford will not soon forget those October days, and regret was often expressed that this matter had not been brought to their attention before. The seed was sown for a school savings bank, warnings issued against all sorts of alluring enterprises and the value of thrift brought home to every inhabitant of the place in a way that appealed to their sense of the practical.

The results are yet to be seen, but the community has had a moral uplift that is bound to last. Men are always interested in the saving of money as well as the spending thereof, and Bradford has set a high mark and deserves much credit for showing what can be done to arouse a community and how to do it. All it needs is a leader like the genial secertary of the association, H. N. Conley, to see the opportunity, and a committee like Mr. Conley gathered around him to use it. **Chapter public affairs committees please take note.**

SAVINGS AND CHRISTMAS CLUBS

It is interesting to note the growth of savings and Christmas clubs. They are becoming very popular, particularly in the savings departments in commercial banks and trust companies. Numerous companies have sprung up in the past few years, each with a different plan for saving money, until the country is fairly flooded with them.

Most of these clubs are good and worth considering, but a few should be taken with a grain of salt. Some bank managers when a new advertising proposition is placed before them are generally interested before the expert talking machine agent has finished his story. Of course, the value of the Christmas club as a teacher of thrift and systematic saving is very obvious, but it would be far better if banks would not load up with some of this unnecessary stationery.

THRIFT TALKS

A number of our member banks are distributing regularly to the country newspapers the thrift talks which are issued each month by the Section. One bank in Sioux City, Ia., takes a particular interest in the matter and goes to the trouble of writing a letter to each newspaper, as follows:

Anthon Herald, Anthon, Ia.

Gentlemen: We enclose set of four Thrift articles to be printed after the dates named, prepared by the American Bankers Association, which are of vital interest to everybody in promotion of economy, thrift and saving.

We will be very glad if you will publish these each week as named, with our regular advertisement at the top or bottom of the article.

Will also appreciate your printing "Furnished by the Mid-West Bank, Sioux City, Ia.," at top of the article.

I am sure this will be good reading matter for your patrons, instructive and of much benefit.

Thanking you for your kindness, we are,

Very truly yours,

President.

You can encourage thrift in the same way. The Secretary of the Section will be glad to furnish you with copies of the little articles.

AN ORIGINAL SAVINGS PLAN

An original dollar-a-week savings plan, based on the proposition that twice two makes four, has been inaugurated by a bank in Jamaica, L. I. "The object in mind is to accumulate $25 by weekly deposits of at least $1.

"Upon opening an account the depositor receives a coupon book containing twenty-five coupons in duplicate. One part of the coupon is detached and becomes the bank's deposit ticket, and the other, when stamped, becomes the depositor's receipt for $1. Each coupon shows the amount on deposit at the time. If all the coupons are detached within the period of six months interest will be paid at the rate of three per cent. from the first of each month if the amount is transferred to the interest department. No interest will be allowed on part payments. Deposits may be made at any time and in even dollars."

THE THRIFT EXHIBIT

The thrift exhibit which the Section, in co-operation with the International Committee of the Y. M. C. A., is sending around the country, having started on its way last May, is being regularly heard from and favorably commented upon wherever it goes. During the months of November and part of December the exhibit will be shown in Ohio:

November 1-5, Mansfield.
November 8-10, Canton.
November 11-13, Cleveland.
November 15-17, Elyria.
November 18-23, Toledo.
November 26-29, Lima.
December 1-4, Cincinnati.

SECTION COMMITTEES AND VICE-PRESIDENTS

The following are the names of the officers and members of the Executive Committee elected at the meeting of the Savings Bank Section in Seattle, together with the committees and state Vice-Presidents subsequently appointed by President Hawley:

OFFICERS

President—N. F. Hawley, treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.

Vice-President—George E. Edwards, president Dollar Savings Bank, New York City.

Secretary—M. W. Harrison, Five Nassau Street, New York City.

EXECUTIVE COMMITTEE

TERM EXPIRING 1916

V. A. Lersner, comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.

Henry Schachte, president Germania Savings Bank, Charleston, S. C.

Charles S. Norris, treasurer Home Savings Bank, Boston, Mass.

TERM EXPIRING 1917

W. R. Meakle, secretary Paterson Savings Institution, Paterson, N. J.

Joseph R. Noel, president North West State Bank, Chicago, Ill.

George E. Edwards, president Dollar Savings Bank, New York City.

TERM EXPIRING 1918

J. H. Edwards, vice-president Dexter-Horton Trust & Savings Bank, Seattle, Wash.

James Dinkins, vice-president Jefferson Commercial & Savings Bank, Gretna, La.

H. P. Beckwith, treasurer Northern Savings Bank, Fargo, N. D.

EX-OFFICIO

William E. Knox, comptroller Bowery Savings Bank, New York City.

COMMITTEES

METHODS AND SYSTEMS COMMITTEE

William E. Knox, comptroller Bowery Savings Bank, New York City, Chairman.

W. R. Meakle, secretary Paterson Savings Institution, Paterson, N. J.

P. LeRoy Harwood, treasurer Mariners Savings Bank, New London, Conn.

V. A. Lersner, comptroller Williamsburgh Savings Bank, Brooklyn, N. Y.

E. G. McWilliam, manager Department of Publicity and New Business, Security Trust & Savings Bank, Los Angeles, Cal.

LAW AND SEGREGATION COMMITTEE

George E. Edwards, president Dollar Savings Bank, New York City, Chairman.

E. L. Robinson, vice-president Eutaw Savings Bank of Baltimore, Baltimore, Md.

B. F. Saul, president Home Savings Bank, Washington, D. C.

R. C. Stephenson, vice-president St. Joseph County Savings Bank, South Bend, Ind.

Joseph R. Noel, president North West State Bank, Chicago, Ill.

MEMBERSHIP COMMITTEE

H. P. Beckwith, treasurer Northern Savings Bank, Fargo, N. D., chairman.

Henry Schachte, president Germania Savings Bank, Charleston, S. C.

James Dinkins, vice-president Jefferson Commercial & Savings Bank, Gretna, La.

Charles S. Norris, treasurer Home Savings Bank, Boston, Mass.

J. H. Edwards, vice-president Dexter-Horton Trust & Savings Bank, Seattle, Wash.

POSTAL SAVINGS LEGISLATION COMMITTEE

E. L. Robinson, vice-president Eutaw Savings Bank of Baltimore, Baltimore, Md., chairman.

William E. Knox, comptroller Bowery Savings Bank, New York City.

B. F. Saul, president Home Savings Bank, Washington, D. C.

SAVINGS BANK CENTENNIAL COMMITTEE

V. A. Lersner, comptroller Williamsburgh Savings Bank, Brooklyn, N. Y., chairman.

F. B. Washburn, treasurer Worcester Five Cents Savings Bank, Worcester, Mass.

R. W. Dwyer, treasurer Dime Savings Bank, Hartford, Conn.

J. H. Manning, president National Savings Bank, Albany, N. Y.

W. H. Kniffin, Jr., vice-president First National Bank, Jamaica, N. Y.

Joseph R. Noel, president North West State Bank, Chicago, Ill.

M. W. Harrison, Five Nassau Street, New York City.

STATE VICE-PRESIDENTS

Alabama—Tom O. Smith, vice-president Birmingham Trust & Savings Company, Birmingham.

Arizona—L. B. Christy, cashier The Central Bank, Phoenix.

Arkansas—W. E. Lenon, president Peoples Savings Bank, Little Rock.

California—W. E. McVay, vice-president German-American Trust & Savings Bank, Los Angeles.

Colorado—Theo. G. Smith, vice-president Inter-State Trust Company, Denver.

Connecticut—S. Fred Strong, treasurer Connecticut Savings Bank, New Haven.

Delaware—T. A. Hilles, vice-president Artisans Savings Bank, Wilmington.

District of Columbia—B. F. Saul, president Home Savings Bank, Washington.

Florida—D. J. Herrin, president First Savings Bank, Jacksonville.

Georgia—J. J. Powers, cashier Exchange Bank, Savannah.

Idaho—Robert Moore, president Idaho Trust & Savings Bank, Boise.

Illinois—Joseph R. Noel, president North West State Bank, Chicago.

Indiana—R. C. Stephenson, vice-president St. Joseph County Savings Bank, South Bend.

Iowa—J. M. Dinwiddie, cashier Cedar Rapids Savings Bank, Cedar Rapids.

Kansas—A. F. Goebel, assistant cashier Citizens State Savings Bank, Kansas City.

Kentucky—W. F. Paxton, president Citizens Savings Bank, Paducah.

Louisiana—James Dinkins, vice-president Jefferson Commercial & Savings Bank, Gretna.

Maine—F. C. Cushing, treasurer Maine Savings Bank, Portland.

Maryland—James D. Garrett, assistant treasurer Central Savings Bank, Baltimore.

Massachusetts—F. B. Washburn, treasurer Worcester Five Cents Savings Bank, Worcester.

Michigan—H. P. Borgman, cashier Savings Department, Peoples State Bank, Detroit.

Minnesota—Louis Betz, treasurer State Savings Bank, St. Paul.

Mississippi—J. F. Osborne, president Citizens National Bank, Corinth.

Missouri—W. S. Webb, cashier Missouri Savings Association Bank, Kansas City.

Montana—R. O. Kaufman, cashier Union Bank & Trust Company, Helena.

Nebraska—T. L. Mathews, president Fremont Savings Bank, Fremont.

Nevada—George Wingfield, president Nixon National Bank, Reno.

New Hampshire—A. N Gendron, treasurer Berlin Savings Bank & Trust Company, Berlin.

New Jersey—W. R. Meakle, secretary Paterson Savings Institution, Paterson.

New Mexico—J. B. Herndon, president State National Bank, Albuquerque.

New York—J. H. Manning, president National Savings Bank, Albany.

North Carolina—W. A. Hunt, cashier Citizens Bank, Henderson.

North Dakota—H. P. Beckwith, treasurer Northern Savings Bank, Fargo.

Ohio—P. J. Slach, treasurer Broadway Savings & Trust Company, Cleveland.

Oklahoma.—C. W. Benedict, Special Representative First National Bank, Tulsa.

Oregon—Andrew C. Smith, president Hibernia Savings Bank, Portland.

Pennsylvania—Livingston E. Jones, president Savings Bank of Germantown, Philadelphia.

Rhode Island—William P. Goodwin, treasurer Peoples Savings Bank, Providence.

South Carolina—J. P. Matthews, cashier The Palmetto National Bank, Columbia.

South Dakota—N. E. Franklin, president First National Bank, Deadwood.

Tennessee—W. A. Sadd, president Chattanooga Savings Bank, Chattanooga.

Texas—James G. McNary, vice-president First National Bank, El Paso.

Utah—M. S. Browning, president Ogden Savings Bank, Ogden.

Vermont—Charles P. Smith, president Burlington Savings Bank, Burlington.

Virginia—John Mitchell, Jr., president Mechanics Savings Bank, Richmond.

Washington—J. H. Edwards, vice-president Dexter-Horton Trust & Savings Bank, Seattle.

West Virginia—J. A. Sigafoose, cashier Marshall County Bank, Moundsville.

Wisconsin—J. H. Puelicher, vice-president Marshall & Ilsley Bank, Milwaukee.

Wyoming—A. H. Marble, president Wyoming Trust & Savings Bank, Cheyenne.

Hawaii—L. T. Peck, cashier First National Bank, Honolulu.

Canada—W. G. Gooderham, vice-president Bank of Toronto, Toronto.

LEGAL INVESTMENTS

Announcement was recently made that the savings banks associations of Massachusetts and Connecticut had both formally approved the New York Central refunding 4½s and the underlying bonds as legal in those states. Kenneth G. White, of White & Kemble, who drew up the law for the Massachusetts, Connecticut and New York savings banks associations, received word from the Bank Commissioners of Massachusetts and Connecticut informing him of the ruling. Mr. White, in discussing the matter, said:

"The reason that these bonds have been added to the list is that the states of Massachusetts and Connecticut have a provision that a consolidated corporation shall not lose credit by any consolidation, provided that the company so consolidated, treated as one continuous corporation, has complied with the laws for the past ten years in the state of Massachusetts and five years in the state of Connecticut.

"The present New York Central Railroad Company, treated as one continued corporation, has complied with the requirements of these states for the past ten years, and by the merger of the New York Central with the Lake Shore and the property of the Lake Shore, being conveyed by supplemental indenture to the refunding and improvement mortgage, that mortgage has complied with the requirements, as it covers twenty-five per cent. greater mileage than any one of the prior mortgages it is to refund.

CLEARING HOUSE SECTION

OFFICERS OF THE CLEARING HOUSE SECTION

PRESIDENT
J. D. AYRES, Vice-President The Bank of Pittsburgh, N. A.
Pittsburgh, Pa.

CHAIRMAN EXECUTIVE COMMITTEE
JOHN McHUGH, Vice-Pres. Mechanics & Metals Nat'l Bank,
New York, N. Y.

VICE-PRESIDENT
W. D. VINCENT, Vice-President Old National Bank,
Spokane, Wash.

THE "COUNTRY CLEARING HOUSE"

It begins to look as if another of the time-honored terms that bankers have become accustomed to is to be discarded. Poker, golf and automobiles have introduced many familiar words, slang or otherwise, that have been given a permanent place in every day English; in banking the increasing use of the check method of making settlement has been responsible for new terms and phrases unknown to the previous generation. Among such may be mentioned the "country clearing house." For nearly twenty years this term has been applied to the department of a city clearing house which collects country checks. But "country checks" are now "transit items" and the indications are that another five years will see such a development of the clearing house method of handling these items that it will be unnecessary to specify by any different terms those associations which collect transit checks, since all city clearing houses will probably be used as they now are in New York, Boston, Kansas City, St. Louis and other centers.

The "country clearing house," however, is beginning to come into its own as having a more precise meaning than heretofore. The good that may be accomplished through association is no longer limited to groups of bankers in the larger cities. It is unnecessary to trace the processes of change that have brought this condition about nor to seek out and immortalize the smaller cities and towns that have done the pioneer work. Local pride and the usual interurban rivalry of the growing towns may be depended upon to preserve such records for posterity. We believe no one will question the statement that whatever may be the growth or the fruit of the association of banks into community clearing houses, the seed has been sown by the Clearing House Section of the American Bankers Association.

For example, there has just been organized in Colorado the Nesa County Clearing House Association, which includes every bank in the county. Similar organizations have been completed in California, Pennsylvania and elsewhere. It is upon record that in almost every case these associations while in the formative stage have written to the Clearing House Section officers for information and suggestions. In conversations with bankers in cities without clearing houses or with associations suffering from rigor mortis, the former Secretary of the Section was often told that no progress could be made because the "bankers couldn't be gotten together on any proposition." A very slight investigation, however, nearly always disclosed the fact that no intelligent effort had ever been made to bring about harmony and co-operation. Such things do not happen of themselves. There are at least 500 cities in this country today offering exceptional opportunities to live, wide-awake young bankers who will bring about real "get-together" meetings, not at all with the idea of obstructing legitimate competition but to introduce modern business methods into banking. Nobody likes to stay in a rut if he can be shown he is in a rut.

Such a "get-together" dinner was held recently in Cedar Rapids, Iowa, largely as an experiment. We are informed the affair was a huge success. John Burianek, Jr., a familiar figure at Clearing House Section gatherings, acted as chairman and toastmaster. No doubt other such dinners have been held without their having received publicity. It is a hopeful sign that bankers are waking up to the fact that the country clearing house association can be made a factor for genuine community welfare. What may be accomplished is well told by Ray F. McNally in his paper read at Seattle, "Clearing House Organization from the Standpoint of a Country Banker." This paper should be read by every country banker whether his bank is in New York or Chillicothe.

BOOK OF FORMS FOR NATIONAL AND STATE BANKS

A copy of this book can be secured by any member of the American Bankers Association at the cost of five dollars. The book contains about 300 accounting and other forms together with some descriptive matter and a short introductory treatise on the elements of a sound system of bank accounting. Subscribers are entitled to receive new forms, free of charge, as they may develop by changes in banking law and practice.

STATE SECRETARIES SECTION

OFFICERS OF THE STATE SECRETARIES SECTION

PRESIDENT
HAYNES McFADDEN, Secretary Georgia Bankers Association, Atlanta, Ga.

FIRST VICE-PRESIDENT
S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

SECOND VICE-PRESIDENT
FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Calif.

SECRETARY-TREASURER
GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

ILLINOIS BANKERS HEAR SYMPOSIUM ON BUSINESS

The twenty-fifth annual convention of the Illinois Bankers Association held at Joliet, October 14 and 15, was probably unique in the annals of business association meetings. Instead of devoting the major part of the program to banking subjects, the association spent its time in listening to addresses by men of national caliber on subjects which covered the whole gamut of commercial problems and activities. At the same time a state flavor was given to the program by devoting one entire morning session to addresses on agriculture, commerce, mining, manufacturing, etc., in Illinois. In commemoration of the twenty-fifth convention, silver medals were struck off, designed from authentic models of the explorer, Louis Joliet, who, with Father Marquette, established headquarters in Joliet in 1673.

President J. S. Aisthorpe presided, and in his address to the convention reviewed the past twenty-five years of banking history in Illinois, especially in relation to the work accomplished by the Illinois Bankers Association. Addresses were made by John H. Fahey, president of the Chamber of Commerce of the United States, on "Organizations of Business Men and Our National Development"; Hon. William B. Wilson, Secretary of Labor, on "The Labor Question"; Hon. Myron T. Herrick of Cleveland, on "Some Bad Rural Credits Legislation"; Fred. E. Farnsworth, General Secretary of the American Bankers Association, on "Co-operation"; Hon. Carl S. Vrooman, Assistant Secretary of Agriculture, on "County Organization," and J. A. S. Pollard, cashier of the Fort Madison Savings Bank, Fort Madison, Iowa, on "The Greater Victories of Peace."

A symposium of the dominant Illinois resources and activities, entitled "Our Illinois," included addresses by the following: John Fletcher, vice-president Fort Dearborn National Bank, Chicago, on "Agriculture in Illinois"; W. R. Moss, of Moss & Schmidt, Chicago, vice-president Illinois Commercial Federation, "Commerce in Illinois"; F. W. DeWolf, director State Geological Survey, "Mining and Minerals in Illinois"; S. M. Hastings, president Illinois Manufacturers Association, Chicago, "Manufacturing in Illinois"; Blewett Lee, General Solicitor Illinois Central Railroad Company, Chicago, "Transportation in Illinois"; Prof. G. I. Christie, Purdue University, Lafayette, Ind., on "Education in Illinois"; Dr. Edmund J. James, president of the University of Illinois, Urbana, on "The Arts and Sciences in Illinois," and Hon. Richard J. Barr, Joliet, on "Government in Illinois."

The election of officers resulted as follows: President, George Woodruff, president First National Bank, Joliet; vice-president, W. S. Rearick, president Skiles, Rearock & Company, Ashland; secretary, R. L. Crampton, Chicago; treasurer, C. E. Coventry, assistant cashier First National Bank, Findlay.

At a meeting of the members of the American Bankers Association in Illinois, the following were elected: Members Executive Council, S. B. Montgomery, president State Savings Loan & Trust Company, Quincy, and Wm. G. Edens, assistant secretary Central Trust Company of Illinois, Chicago; Vice-President for Illinois, Melvin A. Traylor, vice-president The Live Stock Exchange National Bank, Chicago; member Nominating Committee, J. Fletcher Farrell, vice-president Fort Dearborn National Bank, Chicago; alternate, Nelson H. Greene, vice-president and cashier Peoples Savings Bank & Trust Company, Moline.

John J. Doherty, cashier First National Bank, Dwight, was elected vice-president of the Savings Bank Section for Illinois.

GALAXY OF SPEAKERS AT INDIANA CONVENTION

The nineteenth annual convention of the Indiana Bankers Association held at the Claypool Hotel, Indianapolis, October 12 and 13, was remarkable for the array of prominent men who addressed the meeting. Rarely is it given to any state convention to have so many distinguished speakers on one program. The Treasury Department was represented by Secretary William G. McAdoo, who spoke at the second day's session in praise of the Federal reserve system; and his remarks were supplemented by Governor Charles S. Hamlin of the Federal Reserve Board, who joined with Mr. McAdoo in urging the state banks to come into the system.

Governor Hamlin's address preceded a symposium on phases of the Federal Reserve Act. Those who took part were: William McC. Martin, of the Federal Reserve Bank of St. Louis; C. H. Bosworth, of the Federal Reserve Bank of Chicago, and M. S. Sonntag.

president American Trust & Savings Bank, Evansville. Mr. Bosworth's talk appears elsewhere in this issue of the JOURNAL-BULLETIN.

The United States Department of Agriculture was represented by Assistant Secretary Carl Vrooman, who spoke on "Agricultural Economics." Tax Commissioner Lawson Purdy, of New York City, spoke on "Taxation of Banks," and William G. Edens, of Chicago, on "The Banker's Interest in Road Improvement." Last but not least, the Trust Company Section of the association heard an address by George W. Perkins, of New York, on the subject, "Our Country Is as Unprepared for Peace as It Is for War."

General Secretary Fred. E. Farnsworth of the American Bankers Association, New York City, spoke on the work of the Association, which he cited as a splendid example of co-operation. "The American banker," he said, "can no longer afford to be an opportunist, but must become an economist and give scientific study to the changing aspect of economics."

President J. P. Frenzel, Jr., of Indianapolis, presided at the business sessions, which were well attended. In addition to the drawing cards on the business program, an excellent program of entertainment was carried out by the Indianapolis bankers.

The election of officers resulted as follows: President, Frank J. Pitner, cashier First National Bank, Laporte; vice-president, Joseph L. Bayard, Jr., cashier First National Bank, Vincennes; secretary, Andrew Smith, vice-president Indiana National Bank, Indianapolis (re-elected); treasurer, W. G. Gude, cashier Merchants National Bank, Lafayette.

At a meeting of members of the American Bankers Association in Indiana the following were elected: J. L. McCulloch, president Marion National Bank, Marion, member Executive Council; M. S. Sonntag, president American Trust & Savings Bank, Evansville, Vice-President for Indiana; Charles L. Zigler, cashier First National Bank, South Bend, member Nominating Committee; Myron Campbell, cashier South Bend National Bank, South Bend, alternate. C. H. Church, cashier Delaware County National Bank, Muncie, was elected vice-president of the National Bank Section for Indiana. William P. Breen, president Peoples Trust & Savings Bank of Ft. Wayne, was elected vice-president of the Trust Company Section for Indiana.

NEW MEXICO MEETING

The bankers of Roswell, N. M., entertained in splendid style the visiting members of the New Mexico Bankers Association, which held its annual convention in that city October 4 and 5. The association is growing stronger every year, largely through just such gatherings as Roswell provided. On the first day there was an automobile drive through the orchards and farms of the Pecos Valley, ending in the afternoon at the Country Club, where a Dutch lunch was served. On the following day the visitors were taken to the Stock Show, concluding with a banquet at the Hotel Gilder and a dance at the Masonic Temple.

Mayor J. S. Lee, of Roswell, welcomed the bankers and presented the association with a beautiful gavel. The principal speakers were J. M. Hellings, assistant cashier Interstate National Bank of Kansas City, Mo., on "Financing Cattle Paper;" Dr. D. R. Boyd, of the State University, Albuquerque, and James T. Bradley, cashier Southwest National Bank of Commerce, Mo., on the "Federal Reserve System."

Officers elected for the ensuing year are: President, John Corbett, president Bank of Deming, Deming, N. M.; vice-president, H. B. Jones, president First National Bank of Tucumcari; treasurer, Roy Ammerman, cashier First State Bank & Trust Company, Roswell; secretary, J. C. Christensen, Raton (re-elected).

At a meeting of the members of the American Bankers Association in New Mexico the following elections were made for 1916-1917: Vice-President for New Mexico, J. B. Herndon, president State National Bank, Albuquerque; member Nominating Committee, John W. Harris, president Peoples Bank & Trust Company, East Las Vegas; alternate member Nominating Committee, J. J. Jaffa, cashier Citizens National Bank, Roswell.

KENTUCKY HEARS WILLIAMS

The annual convention of the Kentucky Bankers Association, held at Frankfort October 6 and 7, was noteworthy not only for the enjoyable program prepared for the entertainment of the visitors but for the character of the addresses as well. Chief among these was a talk by John Skelton Williams, Comptroller of the Currency, in which he charged that of the 7,615 national banks in the country 1,020 had sent in reports showing that they had received an average of ten per cent. or more on loans—in some cases forty, sixty and 1,000 per cent. He made special mention of a washerwoman who had borrowed $3.50 for six days, on which the bank had charged $1 interest, Mr. Williams said, or 2,400 per cent.

Other addresses were made by State Bank Commissioner Thomas J. Smith, on "Needed Banking Legislation in Kentucky," and Charles H. Ellis, of Sturgis, on "Meeting the Demands in a Country Bank."

Resolutions were adopted indorsing the Wilson administration and the conduct of the State Banking Department, and recommending that the association continue to keep out of politics. A constitutional amendment was adopted providing for the election of Federal reserve banks as honorary members. The association's membership, according to Secretary Davis' report, is now 579, as compared to 602 last year. The loss is due to failures and consolidations.

Election of officers for the ensuing year resulted as follows: President, Max B. Nahm, vice-president

Bowling Green Trust Company, Bowling Green; secretary, Arch. B. Davis, Louisville (re-elected); treasurer, H. D. Ormsby, cashier National Bank of Kentucky, Louisville (re-elected).

At a meeting of the members of the American Bankers Association in Kentucky the following officers were elected: Vice-President for Kentucky, C. N. Manning, secretary and treasurer Security Trust Company, Lexington; member Nominating Committee, H. C. Sharp, cashier State National Bank, Maysville; alternate, Charles H. Ellis, cashier Bank of Sturgis, Sturgis.

DISTRICT OF COLUMBIA

The regular annual meeting of the Bankers Association of the District of Columbia was held at Washington, October 18. The election of officers resulted as follows: President, Wm. T. Galliher, president American National Bank; first vice-president, John Poole, president Federal National Bank; second vice-president, Corcoran Thom, vice-president American Security & Trust Company; secretary, Edmund S. Wolfe, cashier District National Bank (re-elected); treasurer, Albert S. Gatley, cashier Lincoln National Bank (re-elected).

CONVENTION CALENDAR

Nov. 12-13. Arizona... ....Castle Hot Springs
Date not decided. National Association of Bank Supervisors ....Olympia, Wash.

1916.

May 2-4	Texas	Houston
May 11-13	Alabama	Pensacola
May 16-17	Missouri	———
May ——	Mississippi	Laurel
June 28.	So. Dakota	Sioux Falls
———	Reserve City Bankers	Detroit
———	Florida	Daytona
———	Iowa	Waterloo
———	Idaho	Lewiston
Sept. ——	Investment	Cincinnati

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INTERESTING FACTS IN A. O. WILSON'S REPORT

CLEARING HOUSE SECTION, SEATTLE CONVENTION

Resources of Clearing House Banks

It is interesting to note certain figures that indicate the relative importance of the clearing house banks as compared with all of the banks in this country; that is, all the reporting banks. According to last statistics available, we find the following figures:

Total number of banks reporting	26,765
Total resources	$43,310,000,000
Total capital and surplus	4,396,000,000
Total individual deposits	18,479,000,000

The banks represented by clearing house associations of the country report approximately as follows:

Total number of banks reporting	1,442
Total resources	$9,469,881,883
Total capital and surplus	1,761,268,492
Total individual and bank deposits	8,162,908,480

It will be noted, therefore, in the item of total resources alone that clearing house banks represent one-fifth of the entire resources of all the banking institutions of the country.

Decline in Railroad Earnings

The railroad situation, in a measure, is responsible for the unfortunate business conditions. There can be no permanent prosperity in this country until our great transportation lines can be operated on a decent earning basis. There is an improvement in the industrial situation, due largely to war orders; but not so with the railroads, as evidenced by the figures for July, and this applies not only to our own country, but also to our neighbors across the border. The Canadian Pacific, for instance, shows:

Gross earnings for July, 1915	$7,500,000
July, 1914	10,000,000
July, 1913	12,000,000

This is a steady decline.

In our own country the gross earnings in July for thirty-four of the principal lines show:

July, 1915	$62,000,000
July, 1914	69 000,000
July, 1913	72,500,000

Another illustration of a steady decline—fifteen per cent. in two years—and yet we wonder how it can be possible that in the great central West there can be at this time three great systems operated by receivers and under the direction of the United States Court. What is the remedy, and how does this concern the Clearing House Section? It concerns us because we represent the financial centers of the country. The institutions represented here today are vitally interested in correcting any bad situation, and this Section in its membership must encourage and promote any movement that has for its honest and intelligent purpose the improvement of the railroad situation.

LIBRARY DEPARTMENT

MARIAN R. GLENN, LIBRARIAN

NEW BOOKS IN THE LIBRARY

Clapp, Edwin J.—Economic aspects of the war; neutral rights, belligerent claims, and American commerce in the years 1914-1915. Yale University Press. 1915.

A resumé of the rights of the United States as a neutral nation, the interference of both Great Britain and Germany with those rights, and its reaction upon American commerce. The German war zone decree and its relation to British blockade policy; the British Orders in Council and their effect upon the American cotton and copper trade; the Wilhelmina case and the import and export situation are considered in detail. An appendix contains the official documents which have passed between the United States and the belligerent nations in relation to neutral commercial rights. Bankers who wish to be well informed on the complex commercial inter-relations of the United States with the warring countries will find the book useful as preparations for the coming Congressional discussions.

Davis, Andrew McFarland—Certain Old Chinese Notes, or, Chinese Paper Money. Littlefield. 1915.

An interesting and well illustrated contribution to the slight literature of this little-known subject, based on an examination of the notes at the Museum of Fine Arts in Boston. There is no attempt to relate Chinese currency experience to present American problems.

Hepburn, A. Barton—A History of Currency in the United States, with a brief description of the currency systems of all commercial nations. Macmillan. 1915.

A re-writing and enlargement of the author's "Contest for Sound Money," published in 1903. To quote from the preface: "The book as now issued covers the period from the adoption of the United States Constitution down to the present time. It deals fully and explicitly with our coinage laws and coinage by mints; it gives the complete history of the national banking system, and contrasts and compares the banking systems of the various states; it relates the history of the legal tender notes and discusses them as a substitute for taxation, touching upon the political history of the period inasmuch as the question of the legality of these notes was made a political issue; the history of the silver controversy is fully told, down to the gold standard act of 1900; the various international efforts in favor of the bimetallic standard are likewise set forth." There are supplementary chapters on the Federal reserve law and the currency systems of other countries. A bibliography, an appendix of financial laws and an index increase its usefulness to bankers as a reference source.

Kniffin, W. H., Jr.—The Practical Work of a Bank; a treatise on practical banking which aims to show the fundamental principles of money, the practical work of a bank in detail, and, particularly, credit in its relation to banking operations. Bankers Publishing Company. 1915.

This is the only up-to-date book on general banking practice, and the first one of its kind to be useful to the small bank as well as to the departmental city bank.

While the chapters on credit are especially valuable, the following list of the subjects covered indicates the very comprehensive and thorough scope of the book: The thing we call money—The bank as a credit machine—Banks, bankers and banking—The organization and administration of a bank—Deposits and the receiving teller—The paying teller, his payments and his cash—Clearings and clearing-houses—Collections and the messenger—Lending the bank's money—The bank as an accounting machine—Checks and their collection—Bank examinations and audits—Essentials in granting credit—Personal credit—Mercantile credit—Analyzing a statement of condition—The passing of a loan—The bank man in the making—The morning mail—Cost accounting and analysis of accounts—Foreign and domestic exchange.

An appendix contains rules and regulations issued by the Federal Reserve Board, and an index completes one of the most useful books on banking published during the past year.

Spalding, William F.—Foreign Exchange and Foreign Bills in Theory and in Practice. London, Pitman. 1915.

The newest book on foreign exchange. Although it is an English work its full treatment of bills of exchange makes it of especial interest to American bankers. There are twenty chapters on international currency; mint par and specie points; foreign exchange quotations and causes of fluctuations; bank and market rates of discount; the war and the world's money markets; the effect of paper currency on foreign exchange; the eastern exchanges; letters of credit; exporters' methods; documentary bills; finance bills, and the discount market.

BULLETIN

OF THE

AMERICAN INSTITUTE OF BANKING

STUDY COURSE IN SAVINGS BANKING

LESSON I

Operation of the School Savings Bank

A Survey of the Idea; History of the School Savings System; The Demand for School Savings Banks; Massachusetts and New York Statutes; Board of Education in New York Adopts the System; School Banks in Other Cities; The "Brooklyn" System; The Stamp Method; Other Plans of Operation; Conclusion.

BY MILTON W. HARRISON

Secretary of the Savings Bank Section of the American Bankers Association and Assistant to the Educational Director of the American Institute of Banking

It is elemental in psychology that the human brain is most impressionable before the fifteenth year of age. Habits formed at this time of life invariably stick. Life is a tissue of habits; and the habit of being thrifty, acquired early in life, is like a house built upon the rocks.

Victor Hugo said, "All the vagabondage in the world begins in neglected children," and further, "Above all, teach the children to save." This is the aim of school banking.

Some years ago John H. Thiry, the father of school savings banks in the United States, said, "The school savings system seeks first of all the child, not his money. It contemplates the cultivation of prudent habits by its weekly regularity, the promotion of self-restraint, diligence and benevolence, the clear perception of the benefits of a savings institution at the outstart of the child's life, the objective impression of the true fundamental laws of wealth written in industry and economy and the far-reaching influence whereby the child is equipped in habit and thought for a manly, independent and successful life.

"It provides the only practical instruction received by the child in political economy and the only training ground in the modern school for the wise management of resources. It has a goodly influence upon the home, uniting it with the school, the parents with the teacher and the citizen with the educational affairs.

"In a word it would lead to nobler lives and higher ideals, the rising hosts of the nation's youths."

This training of the child to save gives him the foresight essential to success; it makes him prudent in his affairs; he realizes the importance of preparing for the unexpected, to anticipate the petty hindrances which he is well able to overcome, and teaches him good citizenship. Much of the crime, prodigality, pauperism, intemperance and other varied vices have

been directly traceable to a lack of thrift in the home, and the lax methods in the training of children. Social workers have encountered the condition innumerable times, where parents have demanded a withdrawal of the child's school bank account which is utilized for intemperance. The parental robber of the child's bank is proverbial. The success of the school savings system has cured in a large measure this condition. The child through his training generally is able to remonstrate with the parent, and if the parent is at all susceptible to influence, the child will be able to break through.

Savings Banks Benefited

Savings banks have traced many new accounts to the influence of the child upon the parent. The child takes his pass-book, pass-card or stamp-card home, and tells his parent about the bank in his school, about the long line of boys waiting to put their money in the school bank; about how Jimmy Jones saved $107.55 which he had earned by driving a milk wagon during his spare time; how Willie Smith sold *Saturday Evening Posts* and had fifty customers, made one dollar a week and deposited it all in the bank; that he had saved fifty dollars and was going to help pay off a mortgage on the farm. Of course, the parent will at first doubt the child's story, but as investigation generally follows doubt, even among the most ignorant, there is no harm done. The parent will ask the teacher about this bank, or he will read something about thrift in the newspaper, or perhaps an attractive bank advertisement will tell him in a few words the necessity for saving his money The next step is the new account in the bank. So the school savings bank in its thirty years of service in this country has proven to be a valuable adjunct to our social structure.

Origin of School Savings

Like almost every great movement, a long space of time existed between the origin of the idea of school savings and the actual establishment of it as a practical working system. Dulac, a French school principal, introduced the system in a commercial school at LeMans. It was not until 1866, however, that any headway was made, and active general interest taken in the proposition. Professor Laurent of the University of Ghent created much interest in the school banking system, and devoted a great part of his time in encouraging the establishment of new banks in Belgium. His efforts were admirably rewarded by the results shown in a report in 1892 of the Belgium school savings banks, showing that the children had deposited about $800,000.

School savings systems were established from time to time in other countries until today there is hardly a civilized country without a school bank. From Canada to Argentina, and from Sweden to Australia the children are being taught in the schools the value of the thrift habit.

To John H. Thiry, a Belgian by birth, credit is due for the establishment of the school savings system in this country. It was introduced in the Long Island City schools by Mr. Thiry in March, 1885. The system has grown considerably in the United States in the past thirty years, and according to the statistics recently gathered by the Savings Bank Section of the American Bankers Association, there are 1,925 schools, having 928,784 pupils, operating school banks. The depositors number 398,540, and the deposits amount to $1,792,640.10. The need, therefore, for the school bank is measured by its wonderful growth; or, as was stated in a letter to Bank Commissioner Chapin of Massachusetts, from the Actuary of the Savings Bank in Hull, England, "the existence of a bank is now regarded as necessary for a well managed school." Agencies are constantly at work encouraging the establishment of these banks. Bankers and educators, associations and religious bodies are combined for teaching and training the child in the ways of thrift. The result is obvious; better business men, more thorough professional men, greater statesmen—all good citizens.

The Success of the System

The following item which appeared in the Long Beach, Cal., Daily Telegraph, October 5, 1915, is evidence of the success of the system:

"With the opening of another school year the amount of money on deposit in the school savings bank is beginning to grow again. The Long Beach Savings Bank & Trust Company now has 1,001 accounts under the school savings bank arrangement, this bank having been made the official depository by the board of education.

"According to Charles H. Tucker, assistant cashier, the total amount now on deposit is $5,575. About $100 of this has been deposited since the opening of schools this fall, quite a number of children having saved large numbers of pennies, nickels and dimes during the vacation season to be added to their bank accounts. One very little miss announced with justifiable pride, on the first day of school, that she had 'saved up' $3.

"The school savings plan has been in effect since January 30, 1914, and has worked out satisfactorily to all concerned, stimulating saving and thrift in a large number of boys and girls and giving them, also, something of an insight into banking methods.

"There was a memorable rush at the deposit windows at the bank on the first day that the children's savings were received, and though the individual amounts were small, the total for the opening day was $449.06. One year from that date, or on January 30 of this year, the deposits totaled $4,443.39.

"Superintendent W. L. Stephens introduced the savings bank plan into the schools of this district. He expresses himself as well pleased with the results of the system."

A recent issue of the New York Times contained a squib showing how great the demand is for new school banks:

"Public School 40, in the Bronx, with 1,551 pupils as depositors, started a school savings bank a little

more than a year ago. The closing of the books on June 25 will show, according to Mr. Weissman, one of the bank directors, that almost $12,000, or about one million two hundred thousand pennies, have been accumulated by the thrifty little savers. Mr. Weissman pointedly adds that already three cigarette and candy stores in the neighborhood have had to go out of business.

"The personal supervision of Principal O'Flaherty and the friendly help of the teachers and directors have enabled the pupils to reach this fine total, coming in small amounts from the various classes. The average weekly deposit was $250, and a record week in the Easter holidays netted nearly $400. There was a withdrawal by the graduating classes each term of $500.

"'Perhaps the main benefit of the school bank,' said Mr. Weissman, 'is the help rendered by these small savings which otherwise would be spent on cheap candy and other pernicious things to the parents in poorer circumstances. Just yesterday a mother withdrew $27 that her little boy and girl had saved up. The father had been out of employment for some time. and the family needed shoes—yes, and food, too. And this is by no means an exceptional case.

"'An encouraging phase of this new idea in savings banks is the willing spirit in which the entire school has grasped the opportunity to save. The children vie with one another each Monday to have ready the largest amount—one little fellow has over $40 to his credit—but the saving germ also has entered the ranks of the teachers. Personally, I have found it so convenient for depositing that I can meet my insurance each year with these savings. Mrs. Blumberg, another instructor, has saved almost $150 in this way, and anticipates a trip to Cuba on the strength of it.'

"Following the article in the New York Times on the subject last spring, letters from Covington, Ky.; Bellaire, Ohio; Santa Barbara, Cal.; Philadelphia, and even the far-off Philippines, have been received by Principal O'Flaherty, seeking information as to the system employed in conducting a public school bank."

Adoption by City School Boards

Up to a comparatively recent date the school savings system was introduced only in the individual schools. Through the efforts of various organizations, such as the Woman's Christian Temperance Union and the American Bankers Association, the work has been considerably advanced. Mrs. Sara L. Oberholtzer, of Philadelphia, has full charge of the school savings system extension for the W. C. T. U. It will be remembered that Mr. Thiry bequeathed to Mrs. Oberholtzer the records of the school savings system, which he alone had kept up to the time of his death, and she has vigorously been carrying forward the work of this pioneer of school banking with excellent results. The work is now being established through the School Boards; states are becoming interested in it, several legislatures have enacted statutes aimed particularly at encouraging the organization of school banks. The Massachusetts statute reads:

"In order to encourage saving among the children in the schools of this commonwealth, the corporation may, with the written consent of and under regulations approved by the commissioner and, in the case of public schools, by the commissioner and the school committee in the city or town in which the school is located, arrange for the collection of savings from the school children by the principal or teachers of such schools or by collectors. All moneys so collected shall be entered on an individual deposit card furnished by the corporation, but the total collections received by the corporation from any one principal or teacher may be entered in the name of such principal or teacher as trustee. When, however, the amount deposited by any one pupil and credited on the deposit card equals the minimum amount upon which interest is allowed the corporation shall issue a pass book to such pupil, and thereafter, when the amount deposited by the pupil and credited on the deposit card equals the sum of one dollar, it shall be transferred to the deposit book by the corporation. The principal, teacher or person authorized by the corporation to make collections from the school children shall be deemed to be the agent of the corporation, and the corporation shall be liable to the pupil for all deposits made with such principal, teacher or other person and entered upon the deposit card, the same as if the deposit were made by the pupil directly with the corporation. The annual meeting, the meetings of the trustees or board of investment of such corporation, may be held at any place in the city or town in which its banking house is located."

The Massachusetts state bank commissioner gathers the school savings statistics for his state. According to his report to the Savings Bank Section, January 1, 1915, for the comptroller of the currency, there were 464 schools in Massachusetts having savings banks in connection therewith, 67,520 pupil-depositors, and $64,295.70 on deposit.

New York School Savings Statute

While New York State has a law governing school savings, yet there is no partial supervision by the Superintendent of Banks, as in Massachusetts. The New York law reads:

"It shall, however, be lawful for the principal or superintendent of any public school or schools in the State of New York or for any person designated for that purpose by the board of education or other school authority under which such school shall be, to collect once a week or from time to time, small amounts of savings from the pupils of said school, the same to be deposited by said principal or superintendent or designated person on the day of collection in some savings bank in the state, or in villages and cities in which there is no regularly established savings bank, in any savings and loan association, trust company, state or national bank, located in the state and having an inter-

est department. These moneys shall be placed to the credit of the respective pupils for whom the money shall be collected, or if the amount collected at any one time shall be deemed insufficient for the opening of individual accounts, in the names of said principal or superintendent or designated person, in trust, and to be by him eventually transferred to the credit of the respective pupils to whom the same belongs. In the meantime, said principal or superintendent or designated person shall furnish to the bank a list giving the names, signatures, addresses, ages, places of birth, parents' names and such other data concerning the respective pupils as the savings bank may require, and it shall be lawful to use the words 'system of school savings banks' or 'school savings banks' in circulars, reports and other printed or written matter used in connection with the purposes of this section."

Co-operation of the New York Board of Education

In New York the tendency has been in the past to leave the matter entirely in the hands of the individual schools. However, in New York City the Board of Education adopted a resolution last year embodying the following rules and regulations for organizing and conducting the school banks in the public schools of the City of New York:

1. School savings banks shall be established whenever practicable in such elementary, high and other schools as the board of superintendents may authorize upon application of the principals.

2. School savings banks shall be established and conducted in accordance with the provisions of Section 160 of the Banking Law of the State of New York, and the printed forms to be used shall be in accordance with those specified in "Plan No. 1" or "Plan No. 2" hereinafter described.

3. School savings banks shall be open for business not less than one day each week, and banking business shall be transacted before 9 a.m., between 12 and 1 p.m., or after 3 p.m. Withdrawals may be made not oftener than once each week. Deposits of one or more cents shall be received, as the individual school banks shall provide.

4. All moneys received for deposit shall be deposited in a state savings bank which is willing to accept the accounts; and such deposits shall be made in trust by the principal or "bank manager" for the pupils and in the name of the school, so that in case of a change in principal or bank manager a change in stationery shall not be involved. Money shall be withdrawn from the school account in the depository bank on a check signed by the principal *and* a designated treasurer, secretary or bank manager, in their representative capacity. The principal shall designate the treasurer, secretary or bank manager except as otherwise hereinafter provided.

5. Withdrawals from the "school account" in a state savings bank shall be restricted to an amount not exceeding $200 at any time. No withdrawals from the school account in a state savings bank shall be permitted for the purpose of meeting any expense connected with the school bank, or for any purpose other than the payment of depositors; provided, however, that accrued interest on the school account may be withdrawn for the purpose of school bank expenses.

6. A report covering the school savings bank business for each term shall be made by the principal and bank manager to the Board of Education, with proper vouchers for receipts and expenditures of bank interest money, within five days after the close of each term, in a form hereinafter prescribed.

7. No interest shall be paid to pupil depositors by the school savings bank.

8. When a pupil has to his credit in the school savings bank an amount for which the state savings bank will open an interest-bearing account ($1 or $5, as the case may be), a separate account shall be opened for him in the state savings bank, and his savings shall be duly transferred thereto. From a pupil having a separate state savings bank account, collections in school shall continue as before until an additional sum of $1 or $5, as the case may be, is credited to him in the school bank. Then such amount shall be transferred to his individual account in the depository state savings bank.

9. Withdrawals from pupils' individual accounts in state savings banks shall be made in accordance with the rules of such banks. The person in charge of the school savings bank shall make inquiry from time to time regarding withdrawals from pupils' individual accounts in state savings banks, and try to prevent unnecessary or unreasonable withdrawals from such accounts.

10. When a pupil is transferred or discharged from the school, his school bank account shall be closed by paying to him any balance standing to his credit, and taking a receipt signed by the pupil and his parent or guardian.

11. In opening an account in the school savings bank the pupil depositor shall fill out and sign a deposit card.

12. Savings bank officers and a board of directors, composed of teachers and pupils, may be chosen in any high school having a school savings bank.

Plan No. 1

BLANKS AUTHORIZED FOR USE, AS AUTHORIZED AND DESCRIBED IN BOARD OF EDUCATION "DOCUMENT NO. 9—1912."

1. Pupils' bank card.
2. Teacher's deposit sheet.
3. Envelope.
4. Principal's deposit sheet or school sheet.
5. Deposit slips and school bank book.
6. Pupils' deposit slip.
7. Withdrawal and transfer checks (on bank).
8. Transfer slip.
9. Teacher's ledger (book or sheet).
10. Principal's ledger (book or sheet).

Plan No. 2

BLANKS AUTHORIZED FOR USE.

1. Cards in duplicate for opening an account.
2. Deposit slip.
3. Pass card (in duplicate and colors, one card for pupil, one for the school bank. On these amounts of deposits up to $5 are punched).
4. Pupils' ledger account card (showing deposits, drafts and balance with dates).
5. Form of check, for withdrawals.
6. Parent's consent to withdrawals.
7. Notice of withdrawal.
8. Passbook receipt.
9. Receipt on closing account.
10. Bank manager's daily or weekly financial report to principal.
11. Notice to savings bank.
12. A punch for cutting amount of deposits on cards.

Form for Term Reports

Term Report of the School Savings Bank of Public School......

Borough of..................New York City

Balance on hand........, 191...................$....
Amount of deposits received....to........., 191..$....
Amount of interest credited by depository bank.....$....
Total receipts ....$....
Amounts of payments to depositors....to..... 191..$....
Deduct ....$....
Balance on hand........, 191...................$....

This seems to be the proper basis for a campaign to establish new school banks in New York City. Accordingly a committee of seven school teachers representing each of the five boroughs comprising the city of New York has been organized for this work. Each member of such committee will be chairman of a subcommittee in his own borough. Through the public affairs committee of New York Chapter, speakers will be furnished to the schools and talks on thrift and school savings will be given. It is hoped that such co-operation will prove effective in organizing a complete school savings system in the city of New York, and help considerably to inculcate in the minds of the children the habit of thrift.

Other Cities

The School Savings System is at the present time thoroughly established in most of the large cities of the United States. The work has been organized on a comparatively large scale in Chicago, more than sixty-one schools having been established. Last year 13,638 new accounts were opened, and the work for the coming year promises even greater results. Mr. Joseph R. Noel, president of the North West State Bank, has given much of his time to this splendid service. Mr. N. F. Hawley's work along this line in Minneapolis has been commented upon many times. At the end of the last school year there were 30,486 children depositors in the schools of that city. The influence of Mr. Hawley's efforts has extended to St. Paul, and the State Savings Bank is conducting the school banks there.

Detroit Schools

Recently a campaign was launched in Detroit, Mich., through the efforts of Mr. W. G. Toepel, cashier of the Peninsular State Bank. A letter received from Mr. Toepel a short time ago tells an interesting story:

"I am pleased to advise you that after six years of continuous effort the associated savings banks of this city finally prevailed upon the Board of Education of Detroit to permit the installation of a school savings system in our schools, which will embrace 110 public schools. At the same time we have the permission of the Bishop of the Catholic diocese to install a system in their parochial schools, and in a few days we expect to close our arrangements with the Lutheran Synod for installation in their schools; the entire system to cover 182 schools.

"The Brooklyn plan (described hereafter) is the one finally determined upon, and the associated banks of this city are now engaged in selecting a suitable person to have charge of the installation. It is proposed by the banks to create a hired force of experts to conduct the campaign, and as chairman of the committee having the matter in hand, I believe the campaign as outlined now will be one of the most exhaustive and carefully planned campaigns of any in the country. One of the plans under consideration by our committee is to secure the co-operation of the American Institute of Banking in this city in an effort to secure from fifteen to twenty speakers, who will volunteer to periodically make 'Thrift' talks in the different assembly rooms of the schools."

Mr. Toepel expresses the main idea of chapter co-operation in the work of Thrift. The success of the coming nation-wide campaign for the encouragement of Thrift will depend in the main upon the service rendered by the chapters.

Numerous Plans of Operation

With the development of the School Savings System came numerous plans for the operation of the banks. Most of them were constructed without any study whatever on the part of the originators of other methods used. It would be foolish to estimate the number of plans which have been originated in the past decade; but most every community has had its own system. There are, perhaps, only a half a dozen plans which have been used successfully outside of the communities in which they were originated.

The principal thing which is necessary in the construction of any particular plan for the operation of a school savings bank seems to be that which will obviate the work of the teachers and bank employes. We have not advanced far enough where the teachers will accept the necessity for teaching the practice of Thrift and systematic saving to the scholars.

The "Brooklyn" Plan

One of the most successful plans which has been adopted by the New York, Chicago and Detroit schools was originated in Brooklyn, N. Y., by a teacher in

P. S. No. 122—Mr. A. S. Clark—and is widely known as the "Brooklyn" system. The detail of the system is handled entirely by the scholars under the supervision of the treasurer of the bank, a teacher in the school. There is a bank for the girls and one for the boys, which invariably results in good wholesome competition. The bank is open for business on Monday, Wednesday and Friday mornings from 8.30 to 9 o'clock. Deposits of five cents or multiples thereof are received. When an account is opened, the depositor fills out a signature card in duplicate, in order that it may be filed numerically and alphabetically. The depositor is also requested to make out a deposit slip, and is given a pass card, like the form shown herewith, which is made out in duplicate, one being retained by the "bank." It will be observed that the card is printed in multiples of five cents both for deposits and drafts. When a deposit or draft is made one card is placed over the other and the amount punched out, by which an indisputable duplicate record is obtained. The deposit slip is then passed to a boy who posts it upon the ledger card. The same procedure is followed in the case of withdrawals. A notice of withdrawal is required, and consent of parents is necessary upon all withdrawals larger than twenty-five cents. The depositor makes out his own checks. When an account is closed, a receipt in full is taken, and when an account becomes inactive a notice is sent to the depositor. If pass card is lost a notice must be filed, and a fee of five cents is charged for a new card."

Bank of Public School 77, Queens

Acct. No.............

Name ....

Class (1)....(2)....Room (1)....(2)...

Opened.............. Closed............

DEPOSITS				WITHDRAWALS			
5	130	255	380	5	130	255	380
10	135	260	385	10	135	260	385
15	140	265	390	15	140	265	390
20	145	270	395	20	145	270	395
25	150	275	400	25	150	275	400
30	155	280	405	30	155	280	405
35	160	285	410	35	160	285	410
40	165	290	415	40	165	290	415
45	170	295	420	45	170	295	420
50	175	300	425	50	175	300	425
55	180	305	430	55	180	305	430
60	185	310	435	60	185	310	435
65	190	315	440	65	190	315	440
70	195	320	445	70	195	320	445
75	200	325	450	75	200	325	450
80	205	330	455	80	205	330	455
85	210	335	460	85	210	335	460
90	215	340	465	90	215	340	465
95	220	345	470	95	220	345	470
100	225	350	475	100	225	350	475
105	230	355	480	105	230	355	480
110	235	360	485	110	235	360	485
115	240	365	490	115	240	365	490
120	245	370	495	120	245	370	495
125	250	375	500	125	250	375	500

"At end of 'day's' business balances on ledger cards and duplicate pass cards upon which transactions have occurred are compared, and must agree, and cash is balanced with day book."

"The money of the school bank is deposited with a regular savings bank in name of the school, subject to withdrawal by teacher in charge (the treasurer), and when the amount to credit of any individual reaches five dollars it is taken out of the school bank and a pass book issued by the regular bank. No interest is paid by school bank."

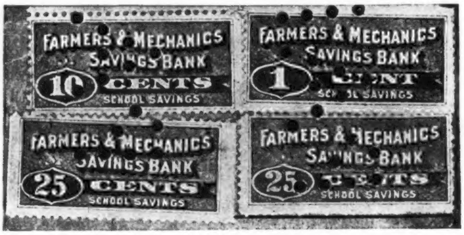
This is one of the best plans for pupils of ten years of age and older.

The Stamp Method

The Stamp Method, used more extensively by the schools in the middle states and the west, is acknowledged a better system for pupils younger than ten years of age. It seems the children of that age are attracted to the stamps; they can actually see the result of their saving, not knowing why they are saving. The very fact of the bright colored stamps is sufficient for them. They will go without candy and chewing gum for weeks in order to be able to buy one of the red stamps for ten cents, and all the while they are acquiring a habit which will make for their future success.

The Jesuit fathers used to say, "Give us the child until he is nine years old and then you can have him. Once a Jesuit always a Jesuit," and the latter part, paraphrased, "Once acquire the habit of Thrift, always Thrifty."

"The scholar's receipt for his deposit is a stamp instead of an entry in a bank book. Manilla cards are provided containing spaces for the placing of stamps



which are sold in various denominations, usually not higher than twenty-five cents, as shown in the accompanying illustration. It is recommended that a fee of one cent be charged for the card, inasmuch as those who have had experience in this work have found that better care is taken of the cards and fewer lost if they are paid for than if they are given gratuitously. The agency that provides the stamps (a bank for instance) sells them to the distributors for cash, and keeps them supplied with the various denominations. These may be in amounts of ten cents only, making a card represent, when filled, one dollar; or, as is usually the case, a column is provided on the side of the card for the extension of the amount of each row of stamps, and the total footed when the card is full. This, when presented to the bank, becomes a cash voucher for the amount called for and will be cashed in, or a pass book issued for it.

"One of the merits of this system is its simplicity. Another is the fact that the depositor can see his money grow, an object lesson in itself Postage stamps represent money to the average person, and when well engraved have a value that does not attend mere book credits, and a card of stamps is quite likely to be given better care than a mere record of deposit. The accounting process is also simple; the bank receives cash for its stamps; the money is kept separate, and all cash payments are made from this fund, and transfers for bank books charged to this account."

More Intricate Systems

The two systems described above are the most popular and simplest of the many. There are some systems designed especially to teach the scholars business methods and practices, and are therefore intricate. An interesting system is carried on in a commercial school in New Jersey; it is part of the school curriculum, the ordinary training of the students, and for the purpose it is exceptionally good. All of the printing used in the operation of the bank is done by the students. The bank pays interest, and extra sets of books are necessary. Another system worth consideration is the one originated by the Uplift Thrift Company, but it places too much of a burden upon the teachers and scholars. Of course if the former can be sufficiently interested, such a plan of operation would be just the thing, for in the main the proposition is educational, and if it were made a part of the actual class training, as in the case of the New Jersey commercial school, so much the better.

Conclusion

In connection with the school bank the teacher of each class or the principal of the school should regularly give talks on Thrift, not particularly preaching to save money, but, what is more essential, the conservation of energy; to be more industrious; to plan for the unexpected; to pay regularly for what is bought. This is the foundation for the establishing of credit and acquiring of character. Credit someone has defined as "The ability to buy, with a promise to pay." This is also a good definition of Thrift. A Thrifty man looks far enough ahead to provide for the future, and his promises are always made good.

The youthful depositor in a School Savings Bank is a successful man in the cocoon.

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WEALTH OF THE UNITED STATES

In response to an inquiry regarding the wealth of the United States the following statistics are given:

	1912.	1900.	Increase, 12 years.	P. C.
Real property and improvements taxed	$98,363,000,000	$46,325,000,000	$52,038,000,000	112.3
Real property and improvements exempt	12,313,000,000	6,213,000,000	6,100,000,000	98.2
Live stock	6,238,000,000	3,306,000,000	2,932,000,000	88.6
Farm implements and machinery	1,368,000,000	749,000,000	619,000,000	82.6
Manufacturing machinery, tools and equipment	6,091,000,000	2,541,000,000	3,550,000,000	139.7
Gold and silver coin and bullion	2,617,000,000	1,677,000,000	940,000,000	56.0
Railroads and their equipment	16,148,000,000	9,036,000,000	7,112,000,000	78.7
Street railways	4,597,000,000	1,576,000,000	3,021,000,000	191.7
Telegraphs	223,000,000	211,000,000	12,000,000	5.7
Telephones	1,081,000,000	400,000,000	681,000,000	170.2
Pullman and privately owned railway cars	123,000,000	99,000,000	24,000,000	24.2
Shipping and canals	1,491,000,000	538,000,000	953,000,000	177.1
Irrigation enterprises	361,000,000	....	361,000,000	....
Privately owned water works	290,000,000	268,000,000	22,000,000	8.2
Privately owned central electric plants	2,099,000,000	403,000,000	1,696,000,000	420.8
Agricultural products	5,240,000,000	1,455,000,000	3,785,000,000	260.1
Manufactured products	14,694,000,000	6,087,000,000	8,607,000,000	141.4
Imported merchandise	827,000,000	425,000,000	402,000,000	94.6
Mining products	815,000,000	327,000,000	488,000,000	149.2
Clothing and personal adornments	4,295,000,000	2,000,000,000	2,295,000,000	114.7
Furniture, carriages and kindred property	8,463,000,000	4,880,000,000	3,583,000,000	73.4
Total	$187,739,000,000	$88,517,000,000	$99,222,000,000	112.1
Population	95,410,000	75,995,000	19,415,000	25.5
Per capita wealth	$1,967	$1,164	$803	69.0

President Bean Discusses Problems of the American Institute of Banking

BY ROBERT H. BEAN

President of the American Institute of Banking

Any one who has studied the progress of the American Institute of Banking from its humble beginning, and who has a knowledge of the constructive efforts of succeeding administrations from its establishment as a section of the American Bankers Association, should experience a profound sense of satisfaction over the recognition which was accorded it at the recent conventions in San Francisco and Seattle.

With an ever present realization of the fundamental policy upon which the Institute was founded, we have witnessed a marked advance toward the goal, the accomplishment of which would put into its proper place in the world of finance a movement worthy of the indorsement of the banking and educational leaders and their institutions.

It was my pleasure to represent the Institute at the American Bankers Association at Seattle, and in that meeting the organization was accorded a favorable note of approval in many instances. No longer apparently is there any question in the minds of the bankers of this country regarding the splendid work which is being accomplished, nor the possibilities for more important work, if the present high standard of efficiency is maintained.

The present administration dates from a convention in which the restatement of the old principle of education upon which the Institute was founded was made with greater emphasis than ever before, and was the keynote of all discussion both in committee meetings and from the platform in the general sessions. The administration stands unequivocally for a vigorous and systematic application of the study course provided for the use of the members, under the direction of the Educational Director. There is no longer any reason for a lack of uniformity in Chapter class work, and the Educational Committees are urged to co-operate by the adoption this year of the text-books on Banking Law, and the Negotiable Instrument Act, by Professor Samuel Williston.

Realizing the necessity of making more stable the administration of the Post-Graduate Work, the duties heretofore, in the hands of a special committee appointed each year, have now been placed upon the Board of Regents, which change we believe will work to the benefit of the graduates, and insure more satisfactory results.

A feature of our Annual Meetings which is becoming more and more important is the Presidents Conference. For one brief period in the year the Presidents of the Chapters are brought together for an exchange of ideas, and a discussion of current chapter problems. In the recent conference there was noted a very pronounced change in the policy of conducting Chapter affairs. The time is past when a Chapter must furnish its members with entertainment in the form of a boxing match, or a minstrel show, in order to hold their interest, and to secure the payment of their dues. With the greatly increased interest in Educational Work comes the problem of raising sufficient revenue to meet expenses. Undoubtedly every Chapter aims to be self-supporting, and many are already successful in their efforts, but where extensive educational plans are contemplated there is often a real necessity to seek the financial support of local banking institutions. Wherever this is done either as a need to meet a deficit, or as a policy of the Chapter at the beginning of the year, solicitations should be made with the positive understanding with the contributors that all gifts shall be used for the purpose of securing the most competent educators available, thereby providing a better educational programme than would be possible if the Chapter was dependent upon its own limited resources.

While the Presidents Conference was responsible for bringing together the representatives of the Chapters. I believe that much can be done by continuing this exchange of ideas throughout the year, and it is my purpose to initiate a correspondence to this end

The trust which the Institute has placed in my hands brings with it many problems, but I conceive none of these to be of greater importance than that which calls for the execution of the task involved in the co-operation of the Institute with the American Bankers Association, through the Savings Bank Section. Through this action we are to have a very large need for active work in the celebration of the Centennial of Savings Banks. To have this matter properly represented in our organization, I have appointed a Committee on Thrift Work, which together with the Committee on Public Affairs will put at the disposal of the Savings Bank Section the united support of our entire membership. I cannot emphasize too strongly the valuable opportunity which is here presented, nor can I speak too seriously of the results should we fail in the services which we are now required to give.

The patriotic action of the convention in adopting a resolution indorsing the policy of placing this country in a position of military preparedness has attracted widespread interest, and the earnest support of able bankers. I believe this to be a matter of great importance, and the service which may be rendered by bankmen in this respect is inestimable. Active steps have already been taken to co-operate with the War

Department and the National Security League, and I have appointed a Committee on Military Instruction to carry out the spirit of this resolution.

Through the commendable foresight of my immediate predecessor, the National City Bank of New York has offered a scholarship in Foreign Banking, particularly in South America, to one or more members of the Institute each year. A full announcement will be made shortly containing full details of the plans, and applications will then be received by the President of the Institute and the Educational Director, to whom are left the selection of those to be recommended.

It is not too much of a look ahead to anticipate the meeting which will be held in Cincinnati in 1916. Each year we find ourselves upon a higher plane of efficiency, and each Convention takes on an added sense of importance. I wish to urge upon the members the value of these Annual Meetings, and their effect upon the Institute. It is the meeting place of those who are most vitally interested. While it comes in a period of relaxation, usually during the vacation days, yet there is much in the programme of serious import to every delegate, and speakers of national reputation are attracted with ever increasing number to our platform.

The first duty which I have had to perform has been that which involved the selection of Committee members for the ensuing year. From such a large membership, and such a multitude of willing hands, it has been no easy task. Much care and thought has been expended in an effort to bring together groups of men who would willingly give of their time and energy to committee work. Hundreds of staunch friends of the Institute are not represented in these appointments. They form a silent yet interested group, which stands ready for service when needed, thus giving continued strength to all our work, though they may not be called for active participation in this administration.

I am going into the year determined that no stone shall be left unturned to bring to success every plan which we have before us. If my efforts fail of accomplishment, it will not be because of a lack of energy, or because I have not had the unlimited support of able, experienced lieutenants.

To carry on those things which have been laid down as the tasks for the year, I have appointed the following committees:

INSTITUTE COMMITTEES, 1915-16.

Post-Graduate Committee.—Board of Regents.

Committee on Public Affairs.—Frank W. Bryant, Chairman, Second National Bank, Boston; Carl W. Allendoerfer, First National Bank, Kansas City; William A. Day, Savings Union Bank, San Francisco; Freas B. Snyder, First National Bank, Philadelphia; R. S. Hecht, Hibernia Bank & Trust Company, New Orleans; Alfred W. Hudson, First National Bank, Syracuse; M. B. Keith, Security National Bank, Dallas; Thomas H. West, Ladd & Tilton Bank, Portland, Ore.

Committee on Thrift Work.—E. G. McWilliam, Chairman, Security Trust & Savings Bank, Los Angeles; Daniel P. Clifford, Home Savings Bank, Toledo; Alexander Dunbar, Bank of Pittsburgh, N.B.A., Pittsburgh; James D. Garrett, Central Savings Bank, Baltimore; Ralph A. Newell, First National Bank, San Francisco; William A. Nickert, Eighth National Bank, Philadelphia; H. V. Alward, Great Falls, Mont.

Committee on Public Speaking and Debate.—Carl H. Chaffee, Chairman, First National Bank, Philadelphia; C. Leland Getz, Robert Garrett & Sons, Baltimore; Edwin C. Phinney, Northwestern National Bank, Minneapolis; F. M. Polliard, Exchange National Bank, Pittsburgh; Herbert C. Roer, Ft. Dearborn National Bank, Chicago; John E. Rovensky, National Bank of Commerce, New York.

Director of Transportation.—George A. Jackson, Continental & Commercial Bank, Chicago.

Committee on Military Instruction.—Harold J. Dreher, Chairman, Assistant Cashier Marshall & Ilsley Bank, Milwaukee; E. D. Hulbert, vice-president Merchants Loan & Trust Company, Chicago; Chas. E. Warren, president Lincoln National Bank, New York; Joseph Chapman, vice-president Northwestern National Bank, Minneapolis; Wm. S. Evans, Henry & West, bankers, Philadelphia; J. S. Curran, assistant cashier Humboldt Savings Bank, San Francisco.

Committee on Publicity.—Leroy A. Mershon, Chairman, United States Mortgage & Trust Company, New York; Stewart D. Beckley, City National Bank, Dallas; Fred W. Ellsworth, Guaranty Trust Company, New York; Carl W. Fenninger, Provident Life & Trust Company, Philadelphia; Peter J. Slach, Broadway Savings & Trust Company, Cleveland; John W. Marno, National Union Bank, Boston; W. W. Spaid, W. B. Hibbs & Co., Washington, D. C.; J. C. Thomson, Northwestern National Bank, Minneapolis; T. W. Townsend, Fourth National Bank, Atlanta; Harry H. Augustine, First National Bank, Richmond, Va.; Thomas J. Nugent, First National Bank, Chicago, Ill.; L. C. Bryan, Boatman's Bank, St. Louis, Mo.; D. W. Martin, Fidelity Trust Company, Kansas City, Mo.; E. V. Krick, Savings Union Bank & Trust Company, San Francisco, Cal.; John Dane, Hibernia Bank & Trust Company, New Orleans, La.

Programme Committee.—James H. Daggett, Chairman, Marshall & Ilsley Bank, Milwaukee; Frank W. Ball, Mississippi Valley Trust Company, St. Louis; Alfred M. Corcoran, Superior Savings & Trust Company, Cleveland; Chas. M. Dupuis, Second National Bank, Cincinnati; Jos. J. Schroeder, National Bank of Republic, Chicago.

Committee on Presidents Conference.—William A. Marcus, Savings Union Bank & Trust Co., San Francisco; Sever Daley, Pioneer State Bank, Denver; R. M. Dobie, First National Bank, Portland, Ore.; S. Howard Fyler, Commercial National Bank, Syracuse; James C. Wheat, First National Bank, Richmond, Va.

Subjects for Post-Graduate Theses Prescribed by the Board of Regents

1. The Second United States Bank and Its Lessons for the Operation of the Federal Reserve System.

2. Security Prices—Interest and Discount Rates in the Years Immediately Following the Napoleonic and Civil Wars.

3. The London Money Market—Its Rise and Its Future.

THE Board of Regents of the American Institute of Banking met in New York October 23 and selected the foregoing subjects for post-graduate theses. The Regents realized that the primary purpose of post-graduate work is to stimulate the study of banking history and banking principles. The Regents also realized that general attention is at present centered upon questions pertaining to the European war and the Federal reserve system. In selecting the foregoing subjects for competitive theses the Regents therefore endeavored to devise a plan to combine investigation of current conditions with investigation of conditions more or less similar in the past. No new syllabus will be prepared this year, but a few supplementary suggestions will be published in the JOURNAL-BULLETIN.

Conditions Governing Post-Graduate Theses

1. Theses must be typewritten and five identical copies submitted to the Educational Director not later than June 1. In length theses must be not less than 5,000 words nor more than 10,000 words.

2. Theses thus submitted must contain bibliological reference to books and authorities utilized in their preparation.

3. Theses must bear fictitious names that will conceal the identity of their authors. In a sealed envelope addressed to the Educational Director each author must give his real name in connection with the fictitious name signed to his thesis. The Board of Regents of the Institute will determine the relative merits of theses submitted.

4. Unsuccessful contestants may submit theses until they have either secured the Institute degree or have satisfied themselves that it is beyond attainment, but no contestant may submit more than one thesis in any one year.

Purpose of Post-Graduate Work

The standard study course of the American Institute of Banking covers the theory and practice of banking and such principles of economics and law as pertain to the banking business. The work thus arranged not only furnishes fundamental knowledge needed by all bankers but also serves as an introduction and impetus to more extensive research. The Institute now has over 1,500 graduates—men who have shown their earnest desire to succeed by sacrificing a considerable part of their leisure time in the study of their chosen profession. Once the fire of ambition has been kindled it is practically unquenchable, and nearly all these men—realizing the vastness of the field before them—desire to continue their studies.

The post-graduate work provided for Institute graduates is more than a mere supplementary form of education designed for Chapter members. It is the response of the only systematic educational factor in the American banking world to the modern demand for a class of scientifically and professionally trained bankers. The study of banking, like the study of law, medicine or engineering, consists of investigation and research into the natural or fundamental laws of economic science and their effect upon human progress. Men and laws react upon each other and the result is history. It will be observed, therefore, that post-graduate study prescribed by the Institute consists largely of a study of this country's financial history. The intention is to have the student obtain a complete knowledge of the banking measures that have been tried in this and other countries—their effects on banking and the country in general and the reasons for their development or rejection. Having mastered such work the student will be prepared to take up the study and solution of present-day problems—that being the main object of the post-graduate course.

As in every other science, the student of finance must eventually become the teacher. If progress is to be maintained he must master all that is taught by the past and then add his contribution of original thought to the common fund of knowledge. The question here arises, "To what subject shall the graduates direct their attention?"

The financial structure of the United States is undergoing great changes. The methods of fifty years ago no longer fulfil the requirements of trade, and radical alterations must be made. Here we have a field of unlimited possibilities. It is not only our opportunity but also our duty to assist in the reconstruction of our banking system. Having mastered the lessons taught us by the past, we can then turn to the problems of the present and future.

Plan of Post-Graduate Study

It is impossible to devise a plan that would meet the varied requirements of different Chapters. The plan outlined is therefore MERELY SUGGESTIVE. While uniformity in the educational work of the Insti-

tute is to be desired and generally the measures that succeed in one Chapter may safely be adopted by another, it is the intention to leave each Chapter free to adopt the plan that seems best fitted to meet local conditions. The co-operative method of study has proven in the past to be the most effective. In all Chapters where the membership is sufficiently large this method should be adopted. A "Forum" should be organized of which the graduates will be charter members. These MAY (not compulsory) then elect other Institute members to membership in the Forum. In this manner bank officers and other senior bank men whose practical experience has duly qualified them may become members. While no rigid rules as to membership can be prescribed and the spirit of democracy must prevail in the election of members, it is to be understood that the Forum is an organization of seniors and the high standard of membership requires certain attainments. The meetings of the Forum should be held apart from the regular Chapter meetings so that there would be no interference. "A forum is a place for the discussion of public affairs." As applied to the post-graduate course, it is a gathering for the discussion and interchange of ideas on the subjects prescribed by the course, general financial matters, etc. It should not be considered merely a class to which the student goes *for* information, but it should be an assemblage to which he goes *with* knowledge and the desire to broaden that knowledge through discussion and exchange of ideas. This necessarily includes a careful and thorough *individual* preparation of the subjects prescribed by the syllabus.

The Forum should be in charge of a trained educator or a properly qualified Institute graduate, who may be assisted by a Study Committee and a Forum Committee, as hereinafter suggested. The student who cannot avail himself of the Chapter Forum can nevertheless pursue his study alone with the aid of the syllabus, which is prepared for individual work.

Theses as Tests of Qualifications

The keynote of post-graduate education is original thought and research, and therefore the thesis is considered the most satisfactory test of qualification. Five subjects for theses are to be selected each year by the Post-Graduate Committee. However, to encourage originality and give the opportunity for specialization, some latitude will be allowed, and theses may be written on any important phase of the subjects prescribed, provided the subject selected be approved by the Educational Director.

The object of the thesis is not just to ascertain how much reading has been done or how many references can be quoted; *it is to show an original practical application of principles, with the purpose of increasing the store of the world's knowledge, instead of merely repeating what is already known.* This may seem a high ideal, but it is the proper inspiration for the man seeking the Institute's degree.

PREPAREDNESS FOR THE UNEXPECTED

Success largely depends on being prepared for the unexpected. The Institute standard courses is the preparation.

"Learning by study must be won.
'Twas ne'er entailed from sire to son."

Some men have educated themselves, and have become this nation's leaders, but they are much in the minority. "Very few men are wise of their own counsels, or learned by their own teaching, for he that is only taught by himself has a fool for a master," said Ben Johnson. It is necessary for most students to be under the direction and encouragement of an instructor in order to sufficiently understand the subject undertaken. Proper class instruction combined with regularly assigned study work in the Institute text-books, and examinations, will in the final analysis, produce the best results. The instruction and the systematic study is the educational food which must go through the process of digestion by regular examinations. The student who neglects to study the assigned work in the text-books, or dodges the examinations will assuredly have a most incomplete knowledge of the subject. It would have been better had he not started the course. A little knowledge does more harm than good. No opportunity for work worth while should be taken by the tips of the fingers. It was said of King Hezekiah, "that every work that he began he did with all his heart and prospered." Thoroughness is a requisite, and naturally becomes a habit through systematic study and examination.

BOOK FOR BEGINNERS IN BANKING

Wolfe's "Elementary Banking" costs a dollar a copy and is worth a dollar a word. The contents include: "Banking as a Vocation," "Wealth and Money," "Why Banks Are Necessary," "Classes of Banks," "Bank Organization and Administration," "Departments in a Bank," "Bank Statements," "Bank Accounting," "Receiving Teller," "Paying Teller," "Note Teller," "Individual Ledgers," "General Ledger," "Loans and Discounts," "Stocks and Bonds," "Savings Banks," "Trust Companies," "Clearing Houses," "Bank Examinations," and concludes with a chapter on "Banking Laws." Send one dollar in New York exchange payable to the Correspondence Chapter, A. I. B., Five Nassau Street, New York City.

Practical Use of Bills of Lading in Marketing Agricultural Products

Bill of Lading the Credit Instrument Which Discharges the Farmer's Obligation—Synopsis of an Address Before the National Poultry Association.

BY NEWTON D. ALLING

Assistant Cashier Irving National Bank, New York

THAT the products of the farm are the basis of our vast wealth is nowadays accepted as a self-evident proposition, and of the products of the farm, from some points of view, those of the dairy and poultry yard are the most important. It is on them that the family table relies for its more constant support, and without them a meal is robbed of its most nourishing and satisfying touches.

The products in which the members of your association deal are not only important because of their necessity to the modern household, but because of their volume and the relation which they have to the trade of our city and the country at large. Statistics show that in the New York market alone during 1914 the wholesale value of butter, cheese, eggs and poultry received reached the total of $128,000,000. The handling of this vast amount of produce is no small part of our city's business, and the gathering of it by the first commission men from the farmers, the transportation and the ultimate delivery all contribute to the prosperity of our railroads and other industries en route. It is the gathering, transportation and distribution of your merchandise in which I have a peculiar interest and regarding which, with your permission, I should like to speak today.

The large totals in value to which I have referred are enough in themselves to suggest that some means must be devised to aid the shippers and consignees to carry them while on the way from producer to consumer, and this is done, as you all know, by means of the draft and bill of lading against which banks make advances as they follow the goods to their ultimate market. In the multiform processes of producing, preparing, transporting, grading, warehousing, distributing and marketing which enter into the treatment of these staples the banker has a frequent and continuing function in financing the several steps in the evolution from farm to consumer. He lends the farmer to buy the seed and stock, to pay the labor and to carry the burden, until the crop is delivered to the common carrier.

The bill of lading then becomes the credit instrument which discharges the farmer's obligation. The wholesaler in the city accepts the draft that represents the value of the goods, and again the bill reaches the banker's window as the medium of credit for the acceptor. The merchandise arrives, the bill of lading carries the title into the warehouse and again the banker makes the "commodity loan" on the warehouseman's receipt. The sale and release ensue and the retailer handles the farmer's product, the banker still perchance assisting in the process until the consumer buys and eats and the financing ends in liquidation.

Through all of this process the bill of lading demonstrates its importance and its necessity cannot be overestimated. It is the *prima facie* evidence of value which the banker is never afraid to hold and which he knows will always ultimately get him his money if worst comes to worst. You probably are all familiar with collateral or Wall Street loans as they are commonly known. With them the collateral is supposed to be the final test of the value of the loan and the guarantee of its ultimate payment if the borrower fails to pay. But that collateral, consisting of stocks and bonds, is subject to violent fluctuation and is also subject to the whims and fancies of the management of whatever corporation it may be issued by, and lastly, it is liable to lose its market if for some reason it does not suit the popular fancy.

Then it cannot be sold, for, not being subject to consumption, no one wants to eat or wear it and there is no upset price at which it can be disposed of. Whereas, with the products in your line represented by a bill of lading when in transit, or a warehouse receipt when in storage, there is always a bottom price at which they can be sold and consumed, and that means liquidation. It is the finest example of a self-liquidating loan which has been devised, for the collateral will always find an ultimate purchaser who is a consumer.

How much more useful to the development of our trade and prosperity are loans made against products of the farm in their way to market than loans on stock collateral. One is fostering the commerce of our country, thereby aiding every worker and industry which it touches, the other is but a dead investment and can only be moved by selling the security to someone else, who in turn must hold it until he finds a purchaser; in other words, there is no ultimate consumer.

It has been calculated that something like three million dollars annually are advanced by banks to shippers on bills of lading. That means that to that extent bank funds are aiding farmers and shippers of poultry in carrying on their most important industry; and does not look as though Wall Street is running away with the banking business, as is commonly supposed.

The new banking law known as the Federal Reserve Act especially limits the class of paper on which

the reserve banks can loan, but loans made against agricultural products in transit or storage are specifically mentioned as desirable. This provision should be of great ultimate benefit to the members of your and similar associations, as it liberates you forever from the fear of being curtailed in your accommodation during a time of stringency. What a boon that will be will occur to all who were in business in the first decade of this century, when every fall, with the recurring stringency in currency, bankers were wont not only to raise their rates but even to shorten lines of credit. We trust that those periods are gone forever, unless it be in the most exceptional times of financial panic and fright; but for normal times the excess of unused loanable funds of our reserve banking system will apparently never be all needed.

In a recent statement the Comptroller of the Currency said, in analyzing the last published reports of the national banks, that he estimated the amount of available credit afforded by the new system at between two and three billion dollars in excess of that already used. He meant that in the future our trade expansion may have that margin of credit to absorb before there will be any possibility of a stringency in credit. It may aid you to realize what this means when I tell you that in the years past to which I have referred, before the passage of the Reserve Act, during any particular stringency it was calculated by bankers that a possible increase in credit of one hundred million dollars at the most would relieve the situation. In the great currency panic of 1907 the Secretary of the Treasury stated in conjunction with others that all there was needed was possibly one hundred and fifty or two hundred million increase to have prevented that disastrous experience. Hence merchants may be assured that as long as their business warrants they need have no fear of their just requirements not being satisfied.

The development of the bill of lading during the past ten years as a banking instrument has been considerable. Weak points have been removed and the reliability of the shipper's receipt as an evidence of value has been immeasurably safeguarded. About eight or ten years ago a committee was appointed by the American Bankers Association for the purpose of looking into the legal aspects of the case, both as to its safety and its uniformity. This arose from the conflicting laws of different states relating to the bill of lading, and the necessity of legalizing in statutory form certain customs which had grown out of its ever-increasing use as an instrument of commerce. Moreover, some very large losses had fallen on some banking institutions through advancing moneys on fraudulent or faulty bills of lading, notably among them was the case of Knight, Yancy & Co. As a result of the concerted efforts of our bankers' association, of yours, and of others of similar character who were allied in the work, a standard bill of lading was devised and a uniform Bill of Lading Act was drafted and passed in ten states. We trust that with continued effort and propaganda on the part of all of us more states will be added to the list shortly. That will give us a shipper's receipt for goods delivered to a carrier which can be accepted without question by banks as collateral. Its legal limitations can then be understood by all, whether it be in Massachusetts or California, and we can handle and advance on it without having to be a qualified lawyer in forty-eight states.

But the legal end of it is not all. There is another phase of the bill of lading question which is far more important; in fact, if it is satisfied, the legal phase may in the majority of cases be overlooked, and that is the moral responsibility of the shipper. The legal phase of the bill of lading is against the carrier, but the most carefully drawn receipt cannot make the carrier responsible to the holder for the quality, character or actual quantity of the goods which it represents. That is purely up to the shipper, and it therefore becomes a banker's question; that is, the moral responsibility of the man with whom he is dealing. And in following a bill of lading through its travels we must trade it back to the first bank which received it, and there the responsibility for the character of the shipper rests. He delivers his produce to the railroad, and in turn receives a bill of lading which he attaches to a draft on his consignee for the value of the goods, and then takes it to his bank and asks for credit of all or part, as the case may be. The local banker examines the draft and bill, the draft is for so many dollars, the bill is for so many tubs of butter; he figures out that butter is worth so much a pound, so many pounds to a tub, which about makes up the amount of the draft. So far so good. For the number of tubs the railroad is responsible, but the banker cannot weigh the butter, nor can he smell of it, two very important things to decide the value of the shipment; but he knows his man. He can weigh him morally, and probably has done so before. That is the test, and the draft starts on its journey, the bill of lading which accompanies it is verified as the title to good collateral which will discharge the draft, and it passes through bank after bank on that first O. K. I understand that usually shippers fill out their own bills of lading and present them with the goods for the agent's signature, and that this custom has given rise to frequent abuses and losses to some holders of bills of lading, though I believe that all banks and carriers exercise more caution since the famous Knight & Yancy case, when several banks lost heavily on fraudulent cotton bills of lading. The case also of Musica & Sons, who were dealers in human hair, is fresh in our memory. They had raised hundreds of thousands of dollars on bills of lading representing supposed shipments of merchandise, but when the boxes were broken open they were found to contain only waste paper. I think the members of your trade are to be congratulated that it is necessary for men to go outside of your particular line for examples of culpability in this regard.

Professor Irving Fisher of Yale Tells Bankers How to Preserve Health

Practical Suggestions Prepared for the Bankers Health Commission.

Preventable death and sickness are the joint results of an inefficient public health service and a defective personal hygiene. Every individual has two barriers against sickness and death, the first, that afforded by the state, in quarantine, cleanliness of streets, purity of water and the like, and the second, individual resistance.

The latter barrier—a high potential resistance—is the most effective protection we have in warding off sickness and death, even after dangerous exposure. Resistance is the product of individual hygiene. Individual hygiene comprises a few simple rules religiously adhered to. The essentials of success are knowledge, self-control, enthusiasm.

The essential rules cover plenty of fresh air, both for the lungs and skin, proper bathing, exercising resting, sleeping, thinking, feeling and willing. Almost all changes of habits require a period of physiological adjustment, and therefore should be made gradually. The foregoing lead to the following specific rules:

Air

Keep outdoors as much as possible.

Breathe through the nose, not through the mouth.

When indoors, have the air as fresh as possible—
(a) By having aired the room before occupancy.
(b) By having it continuously ventilated while occupied. (In winter the ventilation is best secured by a window-board deflecting the entering cold air upward.)

Not only purity, but coolness, dryness and motion of the air, if not very extreme, are advantageous. Air in heated houses in winter is usually too dry, and may be humidified with advantage.

Clothing should be sufficient to keep one warm. The minimum that will secure this result is the best. Porosity is very important, not only in underclothes, but in all clothes. The more porous the clothes, the more the skin is educated to perform its functions with increasingly less need for protection. Take an air bath as often and as long as possible.

Take a daily water bath, not only for cleanliness, but for skin gymnastics. A cold bath is better for this purpose than a hot bath. A short hot followed by a short cold bath is still better. In fatigue, a very hot bath lasting only half a minute is good.

A neutral bath, beginning at ninety-seven or ninety-eight degrees, dropping not more than five degrees, and continued fifteen minutes or more, is an excellent means of resting the nerves.

Be sure that the water you drink is free from dangerous germs and impurities. "Soft" water is better than "hard" water. Ice water should be avoided unless sipped and warmed in the mouth. Ice may contain spores of germs even when germs themselves are killed by cold.

Cool water drinking, including especially a glass half an hour before breakfast and on retiring, is a remedy for constipation.

The judicious use of enemas is advantageous where there is autointoxication—that is, absorption of poisons through the colon. They are especially needed when one is not feeling well from almost any cause, as a cold. A warm enema is likely to have an after effect, the inability to defecate without its use. For this reason cool enemas—temperature of eighty degrees down to seventy-five degrees—are best. The best way, however, of regulating the bowels is by exercise and diet.

The teeth should be brushed thoroughly several times a day, and floss silk used between the teeth. Persistence in keeping the mouth clean is not only good for the teeth, but for the stomach.

Masticate all food up to the point of involuntary swallowing, with the attention on the taste, not on the mastication. Food should simply be chewed and relished, with no thought of swallowing. There should be no more effort to prevent than to force swallowing. It will be found that if you attend only to the agreeable task of extracting the flavors of your food, Nature will take care of the swallowing and this will become, like breathing, involuntary. The more you rely on instinct, the more normal, stronger and surer the instinct becomes. The instinct by which most people eat is perverted through the "hurry habit" and the use of abnormal foods. Thorough mastication takes time, and therefore one must not feel hurried at meals if the best results are to be secured.

Sip liquids, except water, and mix with saliva as though they were solids.

The stopping point for eating should be at the earliest moment when one is really satisfied. Normalized instinct is the best guide here, provided one eats slowly.

The frequency of meals and time to take them should be so adjusted that no meal is taken before a previous meal is well out of the way, in order that the stomach may have had time to rest and prepare new juices. Normal appetite is a good guide in this respect. One's best sleep is on an empty stomach. Food puts one to sleep by diverting blood from the head, but disturbs sleep later. Water, however, or even fruit, may be taken before retiring without injury.

An exclusive diet is usually unsafe. Even foods which are not ideally the best are probably needed when

no better are available, or when the appetite especially calls for them.

The following is a very tentative list of foods in the order of excellence for general purposes, subject of course to their palatability at the time eaten: Fruits, Nuts, Grains (including bread), Butter, Buttermilk, Salt in small quantities, Cream, Milk, Potatoes and other vegetables if fiber is rejected, Eggs, Custards, Digested Cheeses, such as Cottage Cheese, Cream Cheeses, Pineapple Cheese, Swiss Cheese, Chedder Cheese, etc.; Curds, Whey, Vegetables, if fiber is swallowed; Sugar, Chocolate and Cocoa, Putrefactive Cheeses, such as Limburger, Rochefort, etc.; Fish, Shellfish, Game, Poultry, Meats, Liver, Sweetbreads, Meat Soups, Beef Tea, Bouillon, Meat Extracts, Tea and Coffee, Condiments (other than salt), and Alcohol. None of these should be absolutely excluded, unless it be the last half dozen, which, with tobacco, are best dispensed with for reasons of health. Instead of excluding specific food, it is safer to follow appetite, merely giving the benefit of the doubt between two foods, equally palatable, to the one highest in the list. In general, hard and dry foods are preferable to soft and wet foods. Use some raw foods—nuts, fruits, salads, milk or other—daily.

The amount of protein required is much less than that ordinarily consumed. Through thorough mastication the amount of protein is automatically reduced to its proper level.

The sudden or artificial reduction in protein to the ideal standard is apt to produce temporarily a "sour stomach," unless fats be used abundantly.

To balance each meal is of the utmost importance. When one can trust the appetite, it is an almost infallible method of balancing, but some knowledge of foods will help. The aim should always be—and this cannot be too often repeated—to educate the appetite to the point of deciding all these questions automatically.

The character of the feces is greatly improved if the diet is proper in respect to protein, and is properly eaten with respect to mastication; otherwise there is almost always absorption of poisons through the colon. Thorough mastication, moderation in amount—especially of proteins—are the best disinfectants. The use of sour milk has an advantage mentioned by Metchnikoff of reducing the bacteria in the colon. There is, therefore, great hygienic value in sour milk, buttermilk, lactic acid koumiss (not the same as yeast-made koumiss), kefir, yoghourd, etc.

Exercise and Rest

The hygienic life should have a proper balance between the rest and exercise of various kinds, physical and mental. Generally every muscle in the body should be exercised daily.

Muscular exercise should hold the attention, and call into play will power. Exercise should be enjoyed as play, not endured as work.

The most beneficial exercises are those which stimulate the action of the heart and lungs, such as rapid walking, running, hill climbing and swimming.

The exercise of the abdominal muscles is the most important in order to give tone to those muscles and thus aid the portal circulation. For the same reason erect posture, not only in standing but in sitting, is important. Support the hollow of the back by a cushion or otherwise. A rocker or a tilted chair is restful to the portal circulation if the lower back is properly supported. Breathing exercises, both by suction and otherwise, for pumping the portal circulation free of stagnated blood, are very helpful.

Exercise should always be limited by fatigue, which brings with it fatigue poisons. This is nature's signal when to rest. If one's use of diet and air are proper, the fatigue point will be much further off than otherwise.

One should learn to relax when not in activity. The habit produces rest, even between exertions very close together, and enables one to continue to repeat those exertions for a much longer time than otherwise. The habit of lying down when tired is a good one.

The same principles apply to mental rest. Avoid worry, anger, fear, excitement, hate, jealousy, grief and all depressing or abnormal mental states. This is to be done not so much by repressing these feelings as by dropping or ignoring them—that is by diverting and controlling the attention. The secret of mental hygiene lies in the direction of attention. One's mental attitude, from a hygienic standpoint, ought to be optimistic and serene, and this attitude should be striven for not only in order to produce health, but as an end in itself, for which in fact even health is properly sought. In addition, the individual should, of course, avoid infection, poisons and other dangers.

Occasional physical examination by a competent medical examiner is advisable. In case of illness, competent medical treatment should be sought.

Finally the duty of the individual does not end with personal hygiene. He should take part in the movements to secure better public hygiene in city, state and nation. He has a selfish as well as an altruistic motive to do this. His air, water and food depend on health legislation and administration.

TWO MINUTES TO HEALTH

In the form of a poster printed on cloth, the Bankers Health Commission publishes a set of "Everyday Exercises" intended not to make athletes, but simply to develop the fundamental functions of the body. No apparatus is necessary. No contortions are prescribed. Two or three minutes nights and mornings is all the time required. The exercises thus provided are five in number. The poster costs fifty cents in silver or postage stamps, and may be obtained from the Bankers Health Commission, Five Nassau Street, New York City.

UNIFORMITY IN BANKING AND COMMERCIAL LAW

BY DR. CARLOS C. ALDEN

Synopsis of an Address Before Buffalo Chapter of the American Institute of Banking

I want to speak to you on a subject which is of great interest to the banking community and to every business, that of trying to bring about uniformity in legislation among the states. We are now in a position where great manufacturing centers furnish the commerce throughout the country. Commerce is the lifeblood of our nation, and to pursue the simile a little further I think the banking interests are the arteries and the veins through which that blood will flow. There ought not to be stops and harrassings of the calm and peaceful flow of commerce. But we are a peculiar nation. We practically consist of forty-eight different independent principalities bound together, so far as we have seen fit to bind ourselves together, to form a national government; but to the extent that we have not ceded our independent powers to the Washington government we stand independent of each other, and that independence has produced and is producing a lack of uniformity in the laws that is most unfortunate. There is, however, at work an effort to overcome the existing situation. There is a Commission on Uniformity of Laws that has been in existence nearly twenty years. That was initiated by the American Bar Association with an appreciation of an intolerable condition, at that time extending to the law of Negotiable Instruments. That, I think, furnished the main reason why the movement started. The fact that negotiable instruments were subject to the varying laws of the forty-eight principalities. To New York State is the honor of taking the initiative, and in 1890 a law was passed under which the Governor of the State of New York appointed three commissioners and invited the other states to join in the appointment of similar commissioners so that there should be conferences among these official representatives of the state with a view to bringing about such uniformity as was possible. From that time to this this body has continued. Its representation at the present time embodies every state in the Union. It has accomplished much; it has more yet to accomplish; and whenever the opportunity is given to a commissioner to appear before a body of this kind he feels it is his duty and his privilege to accept and to tell his tale and try to interest the public in what is so essential. The trouble is the commissioners, after evolving a proposed uniform law, have to go to the different state legislatures and secure the enactment. You know what legislatures are and you know what they try to do. You know how engrossed they are with political jockeying and the attempt to bring about an advantage to the organization which they represent, and, therefore, time and again the commissioners have felt the necessity of an aggressive public backing, the law, helping them in their efforts. You know the statement that that government governs best which governs least. If that is true then certainly we are living in an absolute anti-climax because the volume of laws that are pouring out from our state legislatures, the volume of judge-made law that is given to us year by year from our forty-eight states is simply overwhelming; the legal profession is absolutely submerged by it and it seems to be growing worse and worse every year. When a legislator comes back after adjournment to his locality it is a misfortune, in my opinion, to have the local paper print his record. Our legislators here, our representatives in the Assembly, have lately returned and our local papers have given their records in the legislature, making their record, however, how many bills they have introduced; not what they have done in the way of opposing unnecessary legislation, not what they have done in watching out that bills should not pass that are not worthy of passing, but it seems to be the accounting which every legislator must make to his constituency is to show he has put in a number of bills, and that some of them at any rate he has been able to push through. Now, on the contrary, I think our legislatures are putting out altogether too much of that kind, that they are working on a soil that certainly has intensive cultivation. There has been mentioned several times here this evening the Negotiable Instruments Law, and if the conferences of Uniform Law Commissioners succeed in doing nothing else I think they would have been worthy of their existence, for at the present time the uniform statute provided and proposed by the Uniform Commissioners is the law in forty-seven states out of the forty-eight. There is one state that I won't mention that still has a private Negotiable Instruments Law of her own. But it ought to be something which is of the greatest satisfaction to those interested in banking, interested in transactions that must of necessity pass the arbitrary state boundaries, to know that the law of the State of New York is the law of the other states.

In this connection I want to speak of something which has a potency to really wreck our efforts as commissioners, and that is the fact that after the legislatures have passed our proposed uniform laws then the courts get at them and construe them at will without regard to what has been done in other states, and time and again we have had our sections construed in different ways in different states, and we must in some way devise a scheme whereby that will be reduced to a minimum, otherwise if we have a uniform statute and the courts of the different states construe it in different manners, why, we have not secured uniformity; and so in each of our statutes we put in a plea, we beg practically through the legislature that those statutes shall be so construed as to effect uni-

formity. Other statutes of great importance have been drawn and have been passed by the legislatures. Those that particularly interest you gentlemen are the Uniform Bills of Lading Act, which seeks to make the bill of lading as negotiable as a note, so that when it is proffered it carries with it practically the sole title to the goods covered; and the companion act, the Uniform Warehouse Receipts Act. We had as many different types of statutes and laws on that subject almost as there were states. There was absolutely no uniformity on the proposition of what would be the security of the warehouse receipt when offered to the banker as collateral. States to the number of twenty, I believe, have adopted those two acts. Fortunately, they are the most important of the commercial states, and it is a question of time when the other states will similarly adopt them. Other states have adopted a uniform act relating to certificates of stock. You men know how necessary it is that the pledge of a certificate of stock should carry with it absolutely certain results; that there should not be a ruling in this state that a certificate of stock is negotiable and upon its pledge carries with it the title free from any claim and in an adjoining state have something different.

We are right in the midst of our work. We progress from one thing to another. It is absolutely necessary in drawing these uniform statutes, with the law of all the states as it exists, and the conditions shall be taken together. Commissioners do not try to draw new acts, but they try to reconcile the inconsistencies in existing laws and find out the best and then when they go to the different legislatures they show what changes are made in the particular law of the state if the uniform law is adopted and try to show in addition to the great advantage of uniformity the fact that there has been an attempt to get the best that is possible out of the situation.

As it now stands, there is an absolute competition for incorporation through the different states, a competing for corporate capital and the offices that come with it. There are some states that have run their state governments for years on the fact that they offer more lax regulations in the incorporation of enterprises and give room for unhealthy exploitation that is one of the most serious propositions that confront us in view of the widespread interest in corporations and the importance that that subject has taken, and for five years the annual conference of these commissioners has been largely devoted to an attempt to so fashion a proposed uniform incorporation act that it will be acceptable to all the states, and yet every time we have found it desirable to amend and have kept referring it back for further consideration before we offer it, because if it is once adopted and offered as backed by the conference of Uniform Law Commissioners and then is faulty, obscure, imperfect, why, you can see that we will lose a prestige that it would be very difficult to regain. It is quite possible in attempting to make up one's mind where to locate a business enterprise that there shall be such arbitrary considerations, for example, whether or not on this side of this arbitrary boundary between states child labor can be employed or whether on the other side it cannot be and therefore conditions that prevent fair competition would exist; or whether on one side of this line there are restrictions in the hours of labor or the necessity of the workmen's compensation that do not exist on the other side of the line, making an absolute unfairness in the dealings of the law with these competing enterprises.

"EXCHANGE GUARANTEED"

A Kansas student asks the meaning of the expression "exchange guaranteed" used in connection with international transactions. Referring to this subject the *Bankers Magazine of London* points out that the desirability of foreseeing any possibility of ambiguity in phrases intended to operate in case of certain contingencies has been brought home forcibly during the last few months—in fact, since the American exchange first went below normal figures. Certain short-term dollar securities have been placed with bankers and others at various times with the undertaking that the exchange was guaranteed, but without any definition as to exactly what was meant by "exchange guaranteed." The purchasers rightly assumed that it gave them protection against depreciation of the dollar, and were willing to pay a slightly higher price for the guarantee, but the converse proposition does not seem to have occurred to anyone. Now that sterling exchange is low it is open to holders to sell their securities for transmission to New York, just as they have been in the habit of doing with their coupons, making very substantial profits with New York exchange in the 'sixties. The houses who issued the securities, however, claim that as regards the principal term "exchange guaranteed" meant the same thing as "exchange fixed," and therefore holders have no right to dispose of their securities by direct sale to New York. Some holders have not opposed this view, but have voluntarily presented their securities for payment in the quarter from whence they were issued; but it is a very unsatisfactory position, and, needless to say, any fresh issues will leave no doubt as to their interpretation.

INSTITUTE CHAPTERGRAMS

RESOLVED, that, in view of the changes that have been suggested from time to time for improvement in the Journal-Bulletin, and in keeping with the determination to maintain such publication on the highest standard, the Educational Director be and hereby is instructed to edit all communications submitted for publication to conform with the established policy of the Journal-Bulletin.—*Resolution of the Institute Executive Council.*

ALBANY

By J. Raymond Roos

Fifteen applications for membership to the local Chapter have been received at the end of the first two weeks' campaign made by our Membership Committee. This brings our membership up to 116.

The educational work of the Chapter began on Thursday evening, October 7. The study of negotiable instruments law, especially as applied to banks, was led by Lewis R. Parker, a local attorney, and it was due largely to his interesting manner of handling the subject that the average attendance for our first three lectures was forty-three.

The Educational Committee, under the leadership of John C. O'Bryne, announces that a strenuous effort will be made to register all of the members holding A. I. B. certificates in the Forum.

A number of trips through local industrial plants are being arranged.

The boys of the Troy and Albany banks have taken hold of the Institute work with much vim, and are determined to convince their employers that they mean business and that they earnestly desire to make the most of their opportunities.

ATLANTA

By T. I. Miller

Atlanta Chapter resumed its regular work on Tuesday evening, September 28, 1915. The first meeting was in the nature of a smoker, a get-together meeting. Charles C. Carter, newly elected President of the Chapter presided. The address of the evening was delivered by the Hon. William Schley Howard, Congressman from this district, his topic being "Rural Credits." A. P. Coles, vice-president of the Central Bank & Trust Corporation and a great friend to the Atlanta Chapter, was present and delivered an interesting talk on the loan being negotiated by the Allies. Other short talks were made by representatives from the different Atlanta banks.

Much interest was manifested in the first meeting, all the old members being present and quite a number of new men. The attendance record on opening night for Atlanta Chapter was broken. Robert S. Parker, who so ably conducted the course in banking last year, has been engaged to conduct the law course this year. The first lecture was delivered by Mr. Parker on Tuesday evening, October 12. Only two nights of the month will be devoted to the law course. We have enrolled some seventy men for this course.

Atlanta Chapter has instituted a new policy this year, in that on every other meeting night papers will be prepared by the men from the various banks on topics of the day. We will meet every Tuesday evening in the Chamber of Commerce building.

BALTIMORE

By J. Adreon Keller

The active season for Baltimore Chapter began with an open meeting Thursday, October 14. The principal speaker of the evening, Dr. H. Parker Willis, Secretary of the Federal Reserve Board, gave an enlightening address on several not widely known phases of the Federal reserve system's operations, and answered criticisms that have made the system their target.

Waldo Newcomer, president of the National Exchange Bank of this city, presented to the graduates of last year their Institute certificates. This mode of distributing the certificates to graduates proved of value over the old way and lent a dignity to the occasion that was much appreciated by the recipients and the other members present. Mr. Newcomer, in offering his congratulations to those rewarded by certificates, struck the keynote of their value and usefulness when he said: "EMPLOYERS, IN CONSIDERING APPLICANTS FOR POSITIONS, MUST RECOGNIZE IN THE HOLDER OF AN INSTITUTE CERTIFICATE AN EARNEST MAN, INDUSTRIOUS AND AMBITIOUS, AND OF SOME PROFICIENCY IN THE THEORY AND PRACTICE OF BANKING AND FINANCE." The acknowledgment of this fact is becoming more evident in banking circles throughout the country each year. With this before us it must certainly become the ambition of every good Institute man to push Institute educational work, increase its scope to such an extent that the possession of a certificate will mark a man as possessing efficiency in banking and finance.

The Educational Committee has provided an attractive calendar, beginning with a series of lectures on "Commercial Law" by Edwin T. Dickerson, of the University of Maryland Law School, which will be followed by a series of lectures on "Credits" and "Bonds and Investments" by Baltimore's best men on these subjects. If enough members will signify their intention of attending the course in public speaking an efficient in-

structor will be obtained and this branch will be added to the educational program.

The chairman of the Public Affairs Committee, in giving an outline of the committee's work, showed that Baltimore Chapter stands ready to do its share toward furthering the propaganda of thrift in connection with its membership in the Savings Bank Section of the American Bankers Association. The committee has already secured volunteer speakers from among the members for this work.

At our open meeting Carl H. Chaffee, President of Philadelphia Chapter, spoke on the work carried on by the Membership Committee of that Chapter. Our own Membership Committee is out this year for "blood" and, from the enthusiasm shown, the result should be a moving up of Baltimore's position among the Chapters as denoted by the figures representing their membership.

The class in commercial law heard its first lecture by Edward T. Dickerson, Tuesday, October 19, and showed a splendid attendance. Mr. Dickerson chose to begin his course with a lecture on "Contracts." In defining points of law in an understandable way to the laity Mr. Dickerson has no peer. From the interest and the number of registrations for text books that followed, Baltimore Chapter is assured of a splendid success for the year in this department.

Our President, C. Leland Getz was called upon for an address before the Tri-County Bankers Association Convention of the Eastern Shore of Maryland, Wednesday, October 27, at Salisbury, Md. He chose for his subject "Preparedness—Institute Work as a Means Toward It."

BIRMINGHAM

By C. P. Hilty

Mr. Sterne, of the Traders National Bank, is leading the class in banking, which is the largest in the history of the Chapter. He is well equipped for the work, especially practical banking. We are now making arrangement for our lectures on economics with a professor at the State University.

At the last meeting W. C. Hamilton, of the American Trust & Savings Bank, talked to us on "Credit." He said that two things should be done by bankers in this section: First, that would-be borrowers should submit a statement audited by a C. P. A. and that borrowers should have a clean slate once a year. We also had with us R. A. Porter, of the Tyler Grocery Company, who spoke on—"Why the National Bankruptcy Act Should Be Amended." He said that the National Bankruptcy Act was a good thing, but that the bankrupt should come into the court with clean hands. He hopes that the law may be amended so that the bankrupt will be compelled to make the proper showing when he comes into court and that the burden of proof should not be upon the creditor. He said there had been only one conviction for fraud in bankruptcy in this section that he has knowledge of. He hoped that the Bankrupt Court would receive more power, so that it would be easier to collect outstanding accounts, and that the attorneys would be put upon a set fee basis.

Birmingham Chapter is now negotiating with New Orleans Chapter relative to a debate, which will no doubt be held in the latter city.

J. L. Cross, our former President and one of the most active men in the Chapter, has gone to Washington as a Federal Reserve Board examiner.

BOSTON

By Leo Wm. Huegle

The beginning of the 1915-16 year finds Boston Chapter in a thriving condition, with a gain of over 100 members, making the total membership above 800. That many men would be attracted by the varied educational courses offered was hoped, but that the increase would be so great was beyond all expectations.

At the first meeting of the regular banking and finance course there were eighty-six men present who are desirous of gaining the one credit that will make them either graduates or "one-credit" men. This course is being conducted by J. Merrill Boyd, a Dartmouth graduate and a former instructor at Boston University.

One hundred and forty-eight men responded to the first call of the elementary banking course, which is under the supervision of Prof. O. M. W. Sprague, of Harvard University. A number of the older men have been attracted to this course, although it is one that does not count toward a diploma.

October 13, "Opening Night," brought 140 of our members around the dinner tables at the Boston City Club, where an evening of good fellowship was enjoyed. President Locke presided, introducing Frederic H. Curtiss, agent of the Boston Federal Reserve Bank, as the principal speaker of the evening. Many intricacies of the Federal reserve system were explained by Mr. Curtiss, who afterward allowed the men to interrogate him regarding perplexing problems in connection with the work. We were then entertained by ex-Presidents Frank W. Bryant and Herbert E. Stone with an account of the recent trip to the convention at San Francisco.

Our next Chapter night, November 15, will be "International Night," at which time Fred I. Kent, vice-president of the Bankers Trust Company of New York, and other men prominent in international finance will address us.

In accordance with the resolutions adopted at the recent A. I. B. convention indorsing the policy of an adequate citizen soldiery, President Locke arranged for a mass meeting of our members at Lorimer Hall on October 25. Senator John W. Weeks, Adjutant General Charles H. Cole and Captain Porter B. Chase addressed the men and explained about the military school for business and professional men, along the lines

of the recent government school at Plattsburg, which is to be held at the armory of the First Corps Cadets from the middle of November to the middle of June. A large enrolment of our men is expected.

A trip to the new Boston Fish Pier was taken by the post-graduates on October 22. The Administration building of the New England Fish Exchange, in which the captains of the fishing boats auction their cargoes, was first visited. After inspecting the pier and the boats lying alongside, the men proceeded to the cold storage plant, where a taste of real winter was experienced, the temperature being one degree below zero.

A Chapter Banquet Club, formed at the suggestion of Herbert E. Stone to insure the attendance of every member at the annual banquet in February, is meeting with success. Twenty-five cents is to be collected twice a month until the amount of the banquet ticket has been paid. This plan, we believe, has never been tried before.

BUFFALO

By Lawrence H. Geser

Buffalo Chapter commenced activities October 6 with an open meeting, which was well attended. Representatives were present from the Towandas, East Aurora and Silver Creek. President Halm opened the meeting with an address of welcome, and briefly outlined the study courses and spoke on the aims of the Institute. J. M. Satterfield, vice-president of the American Savings Bank, then delivered an address on "Savings and Investments." He gave an interesting history of the savings bank system from the inception of the savings bank idea down to the present time, called our attention to the important part savings banks play in the social and commercial life of our country, and devoted the remainder of his discourse to an exceptionally fine exposition on investments.

The law class started its work October 19 with an enrolment of fifty-two. The Educational Committee has been fortunate in obtaining the services of W. A. Martin, M.A., director of studies, D'Youville College, Buffalo, to conduct the advanced English class, which met the first time on the 14th and listened to an eloquent lecture by Professor Martin. The Forum opened the 21st and was attended by a goodly number of the older bank men. Last year the need of a special course of study for junior bank clerks was keenly felt, and this year the Educational Committee has instituted a course in elementary banking. It is gratifying to see how well the younger clerks have responded.

Thirty-seven new members have been received into the Chapter, ten of whom represent banks outside of Buffalo. Buffalo Chapter has just issued its first year book in the form of a very attractive booklet beginning with a brief history of the Institute and giving a comprehensive idea of what the Chapter purposes to accomplish this year, together with other information in connection with the Chapter. A majority of the members visited the handsome new Chapter room for the first time when attending the classes, and all were highly pleased with it. We are indebted to W. F. Hopkins, vice-president of the Third National Bank, for the assistance he rendered in establishing the Chapter's library and for his generosity in donating a set of business books.

DAYTON

By Lawrence Waitzman

Our law class is doing well. The Chapter was able to secure the continuous services of Pearl Sigler, a local attorney, for leadership of the class. All of the nine men who passed the examination in the banking course last year are back. Three of the members are from outlying towns between twenty and twenty-five miles distant.

Later on the class will take a part of the time each meeting night for instruction in public speaking. This is planned to fit our men for service in public affairs work. At this time, however, it was not deemed advisable to form a new class for that subject.

The October meeting of the Chapter was held on Wednesday, the 13th. Prof. Howard P. Warren, instructor in finance in the University of Cincinnati, delivered an address upon the subject of trade acceptances. That the subject was timely was shown by the interest taken and the practical questions asked of the speaker. We also had the pleasure of entertaining Mr. Beiser, of Cincinnati, who gave an encouraging report of the condition of his Chapter and its preparations for the national convention next year.

DETROIT

By Ernest F. Goodwin

Detroit Chapter began its 1915-16 activities Wednesday evening, September 29, with a banquet and smoker held at the Detroit Board of Commerce.

Our Program Committee furnished an exceptionally good program, the first speaker being Alfred J. Lucking, who gave a very interesting and lucid discourse on the question of "Municipal Ownership of the Detroit United Railway." Mr Lucking's views were indorsed by Hon. Richard I. Lawson and the case made stronger by some of his own clinching arguments.

We were also entertained by Rev. E. H. Pence, Professor Koehler and Walter G. Toepel, cashier of the Peninsular State Bank, who gave a very inspiring talk on the benefits of A. I. B. work.

The law class, which held its first session Wednesday evening, October 13, shows a decided increase in membership over that of last year. At present the class consists of over sixty members, all being new with the exception of one or two.

We have planned a class in public speaking and debating, and the indications are that it will be just as much of a success as the law class.

We are co-operating with the Savings Bank Section of the American Bankers Association in its thrift campaign, and have provided men from our public speaking class to deliver discourses on "Thrift" at the various schools about the city.

EL PASO

By F. B. Gallagher

The El Paso Chapter of the American Institute of Banking begs to make its bow to sister Chapters of the Institute with this issue of the *Journal-Bulletin*. Our initial meeting was held in the early part of August, at which the following officers were elected: S. Witham, President; C. H. Teague, Vice-President; W. C. Haden, Secretary; D. L. Hill, Treasurer. Since then several regular meetings have been held and we are now well into the Institute text book "Commercial Law." Negotiable Instruments will follow later on in the term. More than 100 men have signified their desire to take the course.

For the present our meetings, which take place each Wednesday evening, are being held in the Chamber of Commerce building, but we hope to prevail upon the kindness of the several banking institutions of the city to fit us up with more convenient and homelike, as well as permanent, quarters after January 1. The El Paso Clearing House Association has graciously agreed to fit up such quarters if and when we prove ourselves worthy. It is the earnest hope of all our members that this will be established not later than the date mentioned.

We consider ourselves very fortunate in having as our instructor for the law course Fred Knollenberg, a prominent young attorney, who has kindly offered us his services in that capacity, and who has already proved his worth by his patient and painstaking efforts to smooth over the rough places in the text.

Our educational program has not been fully developed, but it is the wish of some of the members that we invite the business men of the city to address us from time to time on topics connected with their respective lines, and later on one meeting day each month will doubtless be assigned for that purpose. Others are advocating the establishing of classes in Spanish; as this is a more or less necessary desideratum of equipment along the border we shall undoubtedly act favorably thereon as soon as satisfactory arrangements can be made.

HARTFORD

By Clarence T. Hubbard

The season's activities of Hartford Chapter were formally launched October 14 with a dinner at the Hotel Bond. Nearly 100 Chapter men were in attendance. The speakers were: Wilbur F. Lawson, President of the Chapter; Francis D. Bartow, vice-president of the First National Bank of New York; John W. Joy, instructor of the law class; Milton W. Harrison, assistant to the Educational Director of the Institute.

In his introductory remarks President Lawson alluded to the Chapter's course in law, which is to be conducted by Mr. Joy this coming year, and encouraged the men to attend.

Mr. Bartow explained the advantages of a Chapter Forum, and, using New York Chapter Forum as an example, he said in substance that an inestimable amount of good could be derived from Forum discussion; that at this particular time the consideration in open parliament of the Federal Reserve Act was most important.

Mr. Harrison spoke on "The Institute Chapter and the Savings Bank Section," and said in part:

"Primarily the object of the Institute is educational. The Savings Bank Section is not unlike it in that respect. Commerce and trade, business of every kind, depends in the main upon the confidence imposed in it. The banking structure of the country is the keystone of business. The commercial banks largely look to the savings banks to maintain the equilibrium of public confidence. The element of public confidence in our banking structure is as essential to it as gold is to currency. In order to maintain public confidence you must first obtain it. The reason is here found for the various campaigns of education for the encouragement of thrift which have been conducted by the Savings Bank Section during the past three years, until the teaching of thrift seems to be the order of the day.

"The Chapters have, in a measure, been responsible for the success of this propaganda. The appointment of an Institute Public Affairs Committee by ex-President Dreher was assuredly a splendid thing and a source of much encouragement in the work undertaken by the Savings Bank Section. It gave rise to better organization, and a spirit of co-operation entered into the work. Institute Chapters the country over realized the opportunity for greater service and organized Chapter Public Affairs Committees. The result was evidenced in an interesting and successful report by Chairman McWilliam at the San Francisco convention.

"The particular advantage the Section derives in the co-operation with the American Institute of Banking is manifestly obvious. Securing the Institute Chapters as a direct part of its organization for furthering frugality will undoubtedly produce excellent results.

"This propaganda of thrift is timely. Europe, battered and torn, will not recover from her post-bellum condition for many years. Instead of America, as in the past, depending upon thrifty Europe she must secure the required funds from her own people. Then, too, we are on the eve of the one hundredth anniversary since the establishment in this country of the savings bank, which has been a great factor in the

development of our country and its multitudinous enterprises making for progress and civilization. From a small beginning these institutions have grown to hugh proportions, until today they hold about $4,500,000,000 of the people's money, almost a billion more than the total amount of all kinds of United States currency.

"Here in Hartford you have one of these pioneer encouragers of thrift—the Society for Savings. Although thrift has become increasingly popular in the last few years, still there are millions of people hoarding or wasting their funds. Hence the need for further teaching the value of the thrift habit. Thrift is by no means a hackneyed term in New England, even though it be a matter of common knowledge to outsiders that it is characteristic of your people. They can still profit by hints as to managing their funds and to plan for the unexpected.

"The opportunity for you to co-operate with the Savings Bank Section, through your Public Affairs Committee, in spreading the gospel of thrift is an exceptional one. Right at your door a thrift experiment is being made. A few months ago arrangements were completed with the Middletown National Bank to conduct a college bank in connection with Wesleyan University. The idea is not particularly to encourage the student to save his money, but even more, to help him manage it and budget his expenses. The student-depositor will be required to give a week's notice in order to draw funds, except in cases where there is urgent need for the money. This will, of course, relieve the national bank of many undesirable and bothersome student accounts, teach the boys to till a few clods instead of clouds, and at least make better business men of them when they go out into the world to seek a fortune after graduating from college. In connection with this college bank a series of eight addresses on thrift, or 'Practical Economics,' will be given to the students.

"A joint meeting with representatives of Hartford Chapter and the Wesleyan students could be arranged some time during the winter. I am sure such an expression of your co-operation would be appreciated.

"This is just one of the things you can do this year for the Institute and the Savings Bank Section. Your Public Affairs Committee will undoubtedly work with the Section and the Thrift Committee of the Institute in other ventures for the betterment of economic conditions in your own city.

"Carlyle has said, 'There is a perennial nobleness in work.' Let us work with all the vim and vigor we possess, and assuredly success will ultimately crown our efforts."

Diplomas were presented to the following men as having passed the two years' banking and law class: Edward Barlow, Fidelity Trust Company; Wilbur Sherwood, Connecticut Trust & Safe Deposit Company; Harold A. Williams, Middletown Savings Bank, and Wilbur Lawson, First National Bank.

The Board of Governors of the Chapter has offered $20 in prizes to the students who obtain the highest standings in the law course this year.

It is with the deepest regret that we record the death of Edward Becker, an active Chapter member, who was in the employ of the Connecticut River Banking Company. Mr. Becker was greatly admired by his associates.

KANSAS CITY

By C. A. Brockhouse

The most brilliant affair in the history of Kansas City Chapter was the annual dinner at the Coates House on the evening of October 15. On this occasion the Chapter numbered among its honor guests the Hon. William G. McAdoo, Secretary of the Treasury, and Mrs. McAdoo. Mr. McAdoo, who is touring the country in the interest of the Treasury Department, was the guest of the Kansas City Commercial Club for the day, which organization graciously relinquished him to Kansas City Chapter for the evening.

After a short talk by President C. H. Cheney of Kansas City Chapter on the history and advantages of the American Institute of Banking, J. W. Perry, president of the Southwest National Bank of Commerce, spoke on the duty of Kansas City bankers to the entertainment of the American Bankers Association convention, which will meet in our city next year. Mr. Cheney assured Mr. Perry of the willingness and ability of the Kansas City Chapter to assist in any way desired in this entertainment.

Byron G. Newton, Assistant Secretary of the Treasury, was then introduced. Mr. Newton spoke on the policy of the department as to the construction of post-office buildings in small towns. Mr. Newton paid a high compliment to President Wilson when he compared Mr Wilson's political policies with the old-time political policies as being like the water from a pure, bubbling spring to that of the water from the sewer.

Mr. Newton was followed by the Rev. George H. Combs, of the Independence Boulevard Christian Church, who, in an eloquent and able address, urged the bank clerks to the right estimation of themselves as free Americans, and urged a greater and more loyal patriotism.

Dr. Combs was followed by Secretary McAdoo, who, after being introduced, said: "I am struggling with a difficulty tonight. After this wonderful day in Kansas City I do not know whether I am Secretary of the Treasury or a Kansas City booster." Mr. McAdoo added: "What we need above all else in American life is truth. We live in an atmosphere of misrepresentation. The politicians, and I mean politicians of both parties, seem to think they are justified in making any sort of misrepresentations to the American people to gain their ends. You must formulate high-minded public opinion, you young men, if you hope to aid us,

who are your servants, at Washington. Today this nation stands for something nobler than mere base enterprise. And because the President stands for truth and for the honor of the nation he has brought the country through a great crisis and gained a triumph of peace."

Harry B. Walker, who will conduct the class in commercial law and negotiable instruments, was then introduced. Mr. Walker gave an outline of the work of the class for the years 1915-16. This class will devote fifteen evenings to the study of "Commercial Law" and ten evenings to "Negotiable Instruments." To the pupil making the best grade in the course the Kansas City School of Law will give a scholarship.

The idea which President Cheney and his committees expect to carry out for this year is education first. The post-graduate class of the Chapter will conduct a course of study covering the various regulations of the Federal Reserve Board. In addition, Professor Holmes, of the Central High School, will instruct the class in parliamentary practice and public speaking.

A new feature of Kansas City Chapter for the year is the weekly publishing of a Chapter paper called "Chapter News." Through this medium the Chapter progress will be noted, the programs outlined from time to time, and the members inspired for the work of the Chapter.

LOS ANGELES

By E. G. McWilliam

The work of Los Angeles Chapter has assumed proportions far exceeding the fondest hopes of President Thomson, the Board of Governors and the Educational Committee.

While in our last chaptergram we stated that it was confidently expected at least 150 would enroll for our law course, the facts of the matter are that 294 persons have already enrolled in this course and the membership of our Chapter now exceeds 400.

As stated last month, our law course, which is the only course we will attempt this season, is being conducted in co-operation with the University of Southern California Law School under Claire S. Tappaan, who is regarded as a leading authority in this state.

This course was instituted at the first regular monthly meeting of the Chapter on September 24 in the rooms of the law school. At this meeting Stoddard Jess, vice-president of the First National Bank of this city, Mr. Tappaan and Fred C. Bold, of the Farmers & Merchants National Bank, delivered addresses. Mr. Jess offered every encouragement in our work, Mr. Tappaan outlined the course and Mr. Bold related his experience as delegate to the San Francisco convention.

The following week the work of the law class was taken up in earnest, and will continue for some thirty successive Friday evenings. The class being so large, it was immediately necessary to divide it. This was done, half of the class meeting at 6 o'clock and half at 7.30. An added value has been given to our law course through the announcement recently made by Mr. Tappaan that inasmuch as those completing the course would be given the same examination which is given the regular students of the University of Southern California Law School upon contracts and negotiable instruments, all those passing that examination would be given credit for it by the university should they desire to continue the study of law in that institution.

Each member of this class has paid a registration fee of $5 in addition to the charge for text books, which include, besides the regular Institute text books, mimeographed copies of a synopsis of Mr. Tappaan's lectures.

In order to promote constant attendance the Educational Committee has offered to refund the entire registration fee to all who attend ninety per cent. of the lectures, and half of said fee to those who attend seventy-five per cent.

In addition to the regular law course President Thomson has planned open meetings once each month, to be addressed by prominent gentlemen representing local industries so far as possible.

The October open meeting was held on the 19th instant and was largely attended. Doctor Norman Bridge, vice-president of the Mexican Petroleum Company, spoke upon "The Oil Industry in California and Mexico," giving much profitable information thereon, and H. S. McKee, cashier National Bank of California, spoke on the "Federal Reserve Act," taking a commonsense view of the application of said act, which was very refreshing.

While it is to be expected that our number of students will diminish as the enthusiasm of a new movement wears off, yet even allowing a liberal discount for this we are confidently looking forward to producing a number of graduates at the end of our first two years of which the Institute at large will be proud.

Los Angeles Chapter is not limiting the benefits of its membership to male members of the profession. Among our most earnest members are a number of ladies connected with various banks in the city, and their regular attendance at our lectures undoubtedly will prove a source of inspiration to many of the boys.

MACON

By Athur Branan

At a meeting held in the parlors of the Young Men's Christian Association September 28, a local Chapter of the Institute was organized. The Macon Clearing House manifested its interest in the movement. While all the local bank men were invited to join the Chapter, no one was urged, and it was clearly shown to each one before he subscribed his name to

help make the Chapter a success that it did not mean any social festivities, but on the contrary meant a great deal of hard work, as we proposed to finish the two study courses furnished by the Institute in as short a time as was practical. In all, twenty-five names were subscribed, and the absentees at our first meeting furnished very legitimate excuses. As can be inferred from the above paragraph, this means twenty-five volunteers eager to do any amount of hard studying that will enable them to better serve their employers.

Upon recommendation of the Nomination Committee, G. C. McWhirter, cashier of the Macon Clearing House, was elected President; R. T. Pierce, of the Fourth National Bank, was elected Vice-President; H. E. Mershon, of the Citizens National Bank, was elected Treasurer, and the writer, who is with the American National Bank, was elected Secretary. Mr. McWhirter was for a long time the Secretary of Atlanta Chapter, and his knowledge of matters pertaining to the Institute is one of our most valuable assets. An Executive Committee was named consisting of one member from each bank, viz.: T. L. Lingo, of the Continental Trust Company; J. K. Hogan, of the Fourth National Bank; W. W. Elfe, Jr., of the Citizens National Bank; R. F. Fincher, of the Macon National Bank; Maynard B. Smith, of the Macon Savings Bank; P. E. Davis, of the Peoples Bank & Trust Company; Guy Huthnance, of the Macon Clearing House, and W. G. Lasch, of the American National Bank. The officers of the Chapter were made ex-officio members of the Executive Committee. A committee composed of H. P. Smith, S. H. Buxton and the Secretary, all of the American National Bank, was appointed to frame suitable articles of association and to submit such by-laws as were deemed necessary to the next meeting for ratification.

MILWAUKEE

By H. G. Zahn

Milwaukee Chapter opened its season's activities with a "smoker" October 8. Our new President was well received and briefly outlined the educational, entertainment and financial program of his administration. James H. Daggett, recently elected Vice-President of the Institute, also addressed the meeting. In a forceful manner Mr. Daggett spoke of the past achievements and the future possibilities of the organization. H. A. Digman related in an interesting manner some of the experiences of the delegates to the recent convention. Music was furnished by Chapter members, and the various renditions were roundly applauded.

A surprisingly large turnout greeted Prof. J. Paul Goode, University of Chicago, at the first lecture-dinner of the season. The speaker chose for his subject "The Geographic and Economic Influences in the Great War." Professor Goode has always been a favorite lecturer before the Milwaukee Chapter, and this time, as before, he held his hearers to close attention by his graphic descriptions supplemented by many lantern slides.

The popularity of the educational program of the Chapter is attested to by the large attendance at the law class under Mr. Houghton. With an average attendance of fifty members, it promises to become one of the most successful in the history of the Chapter. It is gratifying to note the large number of new faces, and especially young faces, attending this class, thus showing the appreciation by the younger bank men of the educational opportunities offered by the Institute.

MINNEAPOLIS

By Carroll H. Rose

Great interest is being taken in the educational work by members of Minneapolis Chapter. This is evidenced by the large attendance at all of the classes, the total enrolment being the largest in the Chapter's history. Forty members are enrolled for the class in banking practice, ten for the class in economics and forty-four for the law class. Many members are also interested in other subjects offered by the extension division of the University of Minnesota, the most popular of them being accounting.

A class in public speaking has been organized through the efforts of the Committee on Public Affairs, for the purpose of training men competent to participate in the work of carrying out the national thrift campaign. Eighteen of the more advanced members of the Chapter have already enrolled for this class, which will be under the direction of Stanley B. Houck, who is identified with the extension division of the University of Minnesota.

The Membership Committee reports that the membership of the Chapter is steadily growing, about 120 new members having been secured already this year, with more in prospect. At this rate the 500 mark will soon be reached and the aim of the committee accomplished. This increase is the more satisfactory for the reason that a majority of the new members are joining with the intention of enrolling in some of the classes.

Dr. C. A. Prosser, director of the Dunwoody Industrial Institute, has agreed to speak at our second monthly dinner meeting, to be held in the near future, and tell us of the plans for this school. Dr. Prosser, who came here from Massachusetts, was formerly secretary of the National Society for the Promotion of Industrial Education and a Commissioner of Education for the state of Massachusetts. His plans for educating men and women of Minneapolis in vocational lines should prove very interesting.

NEW HAVEN

By George L. Moore

After considerable preliminary agitation, a Chapter has been organized in this city which includes banks in the surrounding towns, with a study class membership of approximately 100. There are a number of sustain-

ing members, and it is expected that the total membership will easily reach 200 this year.

On October 7 a meeting was called for organization, and George E. Allen and Milton W. Harrison, Educational Directors of the Institute, as well as representatives from Hartford Chapter, were on hand to give the meeting any information desired regarding educational ways and means. At this meeting W. Perry Curtiss, vice-president and treasurer of the Union & New Haven Trust Company, was elected President of the Chapter and a Nominating Committee appointed to present a slate at the next meeting, which was held October 14. The other officers elected were: Vice-President, George L. Moore, secretary and treasurer Broadway Bank & Trust Company; Secretary, George S. Stirling, receiving teller First National Bank, and Treasurer, Augustus E. Porter, paying teller Second National Bank. A Membership Committee was appointed, having a member in each bank represented in the Chapter. We are fortunate in securing as our instructor John W. Edgerton, professor of law at Yale University.

NEW YORK

By I. H. Meehan

Four hundred and ninety-three men have registered for the various study courses. The standard banking course leads in the enrolment with a register of 189; the next in popularity is the course of elementary banking, with 141; then follow the law course, with 79; Spanish, 45; foreign exchange, 42, and public speaking, 19. These figures are reassuring and should dissipate the fears of the pessimists who felt that the plans of the Educational Committee were too ambitious.

The interest already aroused in the courses will be sustained by the very competent staff of instructors at present in charge and reinforced by Prof. Alvin Johnson, head of the economic division of Cornell University and Dr. Donald Tucker, of Columbia University. Professor Johnson will conduct the economic class of the standard banking course, and Dr. Tucker a course in elementary economics.

A new and what has already proved a successful feature of the educational work this year has been introduced into the law course. A committee consisting of a chairman and five members, all Institute graduates, has been appointed to take charge of the work under the direct supervision of Professor Edgerton. The class has been divided into five groups, each group in charge of a member of the committee. The different groups meet one hour before the regular lecture on Thursday and discuss informally the cases assigned the previous week for study. A twofold advantage accrues to the men in the following of this plan. First, their assembling in small units promotes sociability and Chapter fellowship. Second, in discussing informally the lesson for the evening different viewpoints are obtained and the men are better prepared for the lecture to follow. Altogether the educational work points forward to a very promising semester.

Next in importance to the educational department of the Chapter work is the Forum section. Under the leadership of R. A. Philpot, its first meeting was held on Wednesday, October 20. A large number of bank officials and Institute graduates attended. They had the pleasure of listening to an address by H. Parker Willis, Secretary of the Federal Reserve Board, on "Some Neglected Features of the Federal Reserve Act."

Dr. Willis discussed particularly under this head the question of rates of discount as affected by the establishment of the reserve banks at different points throughout the country, calling attention to the conditions under which financial leadership could be secured from the reserve banks and the various obstacles to such leadership that were likely to be encountered. He gave considerable attention to uniformity in rates of discount, emphasizing the difficulty of securing such uniformity in a country whose industries are so widely varied as the United States, and in which the distribution of capital is so far from uniform. This led to a discussion of the extent to which it may reasonably be expected that the reserve system will succeed in conducting its operations solely through member banks, the discussion involving a consideration of the probabilities of state bank membership and of increase of direct discounts for members.

The problem of earnings and expenses of reserve banks, and the question how far the banks have succeeded in developing remunerative channels of business through the operations thus far open to them was considered, and the speaker undertook to define the proper function of the reserve bank, showing that as a reserve institution its duty must be at all times to preserve the liquid character of its assets, all other considerations being secondary in importance.

Dr. Willis turned from the scope of the operations of Federal reserve banks at the present time to a discussion of their probable scope in the future, and explained the nature of some of the rulings of the Federal Reserve Board in connection therewith. He took the view that reserve banks, in order to be of the greatest service to their customers, must be regularly dealt with by them, and that this involved the regular use of the deposit accounts of the member banks with the reserve banks and the free flow of funds from member banks into the reserve institutions. This use of Federal reserve banks, it was claimed, could be secured only through making the reserve deposits of the banks readily available and readily able to carry the load which has been sustained by the reserves of correspondent banks in the past. The question how this could be accomplished then led up to a consideration of some of the features of the present clearing system. Dr. Willis recognized the effective work that

had been done by reserve banks up to date in standardizing paper, in explaining the functions of the reserve banks to members and in beginning the popularization of the system. He pointed out, however, that there is still an enormous amount of work to be done before the development of the system can be considered anything like complete. This work, he said, must essentially depend upon and be done by the members of the system. Up to date most of what had been accomplished was in the nature of foundation work. The characteristics of the reserve system as a whole would be determined by the member banks themselves, and it was essentially their function to make the working of the system effective and successful.

At the conclusion of Dr. Willis' address the meeting was thrown open for general discussion. This feature of Forum work is particularly helpful, as it enables those present to clear up any point about which they are in doubt. A rising vote of thanks was given Dr. Willis, and the Chapter wishes to record its appreciation of his generosity in making the trip from Washington to lecture to the members.

A Forum event yet to take place is the lecture of Theodore H. Price on Wednesday evening, November 3. Mr. Price's subject will be "Financial Processes Incident to the Distribution of American Commodities." On November 17 the meeting will be conducted by the chairman of the Public Affairs Committee, M. W. Harrison, who is also the Secretary of the Savings Bank Section of the American Bankers Association. The purpose of this particular meeting will be to discuss the local campaign of education for the encouragement of thrift in New York City and vicinity, which is a part of the celebration of the one hundredth anniversary of the establishment in this country of the savings bank. Among the speakers will be William E. Knox, comptroller Bowery Savings Bank, and V. A. Lersner, chairman of the Savings Bank Centennial Committee of the Savings Bank Section, American Bankers Association.

NEW ORLEANS

By Norbert B. Hinckley

One of the features of this year's program is the informal talks to be given monthly by Institute "products." On October 18 we heard John Dane, of the bond department of the Hibernia Bank & Trust Company, talk on "Salesmanship." Mr. Dane has been connected with this department for the past two years and the information he gave us was largely from the school of experience.

The first meeting of the commercial law class was held Tuesday, October 19. We have a larger number enrolled than ever before. This class is being conducted by Prof. J. A. J. Fortier, of Tulane University. Charles E. Dunbar, Jr., graduate of Harvard Law School and Tulane University, will give instructions in negotiable instruments.

The Forum was organized on the first Friday in October and will hold meetings on the second and fourth Fridays in the future. R. S. Hecht, trust officer of the Hibernia Bank & Trust Company, is the leader. Our public speaking class will again be under the direction of Nicholas Callan, head coach of Tulane debating class. This course will also combine practical English and spelling.

The Public Affairs Committee has been hard at work outlining its program, and has now completed same. We, however, will have to depend entirely on the public speaking class for the success of our work. Our aim is to assist the banks in enlightening the public on the methods of banking and the part a bank plays in the development of a community. The subjects we have in mind at present are: "The Bank and the Community," "The Bank Check," "Clearing Houses," "Federal Reserve Bank," "Credit," "Savings Banks," "Mortgage Loans," "Trust Companies," "How Imports and Exports Are Financed," "Essentials of a Good Investment," "What a Boy Should Know Who Goes Into Banking." Besides, we will work with the Savings Bank Section of the American Bankers Association, and also take a prominent part in the celebration of the centennial of the savings bank in America.

The Spanish class will again be conducted by Professor Fernandez. This class is proving quite popular, as it is realized that there will be a big demand shortly for those who understand this language, on account of the increasing trade of our city with the Latin American countries.

We have also planned to have prominent bankers and business men address us at regular intervals throughout the year on timely subjects. F. Prevost Breckinridge addressed us recently, selecting as his subject "The History of the Cotton Warehouses and How It Is Managed."

PITTSBURGH

By P. E. Tessmer

Opening night at Pittsburgh brought out a large and enthusiastic audience, which looks promising for the coming season. The determination to make it a success in every way is very apparent.

After several selections by Mr. Rhodes, one of Pittsburgh's best vocalists, Mr. Don Mullen, our new President, addressed the meeting, and his remarks were very well chosen, emphasizing the fact that cooperation by the various committees, and in fact every member of the Chapter, is necessary to the success of the administration.

After President Mullen concluded his remarks, Jean Phillips, Chairman of the Educational Committee, outlined the educational work of the Chapter for the coming year. The Educational Committee has decided to continue the Chapter's affiliations with the University of Pittsburgh, and the present schedule calls for Economics on Tuesday evenings, at the Chapter rooms, and

"Money and Banking" at the University on Thursday evenings. The "Economics" class will be taught by Prof. Kidd, of the University of Pittsburgh, and the "Money and Banking" class will be a part of the regular class at the University in charge of Dr. J. T. Holdsworth. Pittsburgh Chapter certainly is fortunate in being able to co-operate with the University in its study courses. Mr. Phillips announced that other studies were contemplated but had not been definitely decided upon.

Mr. Herrod, Chairman of the Ways and Means Committee, promised the members some interesting general meetings. Among the speakers he mentioned Governor Brumbaugh, Mr. Reynolds, of Chicago; Senator Burton, Henry Ford and others.

Mr. Hebrank, the new editor of the Chapter Clearings, prepared his readers for all sorts of shocks and surprises in his coming issues.

Dr. Holdsworth, speaking of the "Banker of Tomorrow," told us of our possible future as leaders in the business and banking world. Mr. Space ended the meeting with a very interesting description of the trip to the convention.

The following committees have been oppointed by President Mullen: Ways and Means—B. A. Herrod (Chairman), H. C. Pearce, C. L. Werner, C. G. Pfordt and Wm. E. Scheibler; Educational—Jean Phillips (Chairman), P. S. Space, D. Gregg Dodds, Robert Patterson, Raymond C. Giles and Carl W. Ehni; Advisory Board—(Past Presidents) D. C. Wills, F. M. Polliard, J. S. M. Phillips, Fred Loeffler, J. Howard Arthur, E. S. Eggers, H. E. Hebrank, E. E. Kehew, P. S. Space and H. E. Reed; Debating and Public Affairs—H. E. Reed (Chairman), C. W. Orwig, H. B. Powell, Jr., A. T. Eyler, John Price, John L. McDermott, D. H. Thomas and George Rankin, Jr.; Chapter Clearings—H. E. Hebrank (Chairman), W. A. Korg, A. H. Bregenzer, Jr., F. M. Polliard, Sam E. Patterson, A. G. Boal, J. H. Murdock; Music—Merle W. Forney (Chairman), G. Paul Moore, W. E. Morgan and J. Howard Blair; Athletic—C. V. Anderson (Chairman), J. G. Saint, John Gunn, A. B. Sharpe and Robert Fulton; Library—W. J. Gundelfinger (Chairman), C. Pasco De Ninno and G. J. Trageser; Publicity—P. F. Tessmer (Chairman), Samuel B. Calhoun, Edison C. Speer, C. L. Martin, B. W. Stenger and H. E. Breitenreiter; Membership—Wm. A. Kleeb, Chairman.

PROVIDENCE

By E. A. Havens

Providence Chapter is about to resume its activities for the winter and in a short time it is planned to have two attractive study courses well in hand. The first of these is the standard Institute course in Commercial Law, which will be presided over by E. Butler Moulton, who for the past two years has successfully directed this course for our members. The second course is in Business Economics, and will be under the direction of Frederick B. Wilcox. The synopsis of the course sent out by the Educational Committee indicates that a wide range of information will be covered concerning various classes of securities. Mr. Wilcox is an old time member of Providence Chapter and admirably equipped to take charge of such a course. This is the first opportunity afforded in a number of years for any advanced work, and it surely should appeal to those who have completed the Institute course.

RICHMOND

By P. B. Watt

The first monthly meeting of Richmond Chapter for the season 1915-16 was largely attended, and the audience was briefly addressed by President James C. Wheat, Dr. Douglas S. Freeman and Messrs. F. W. Duke, Warren M. Goddard and Charles A. Peple, all of whom spoke optimistically regarding the work to be undertaken during the coming winter. Those present also had the pleasure of hearing interesting reports from Messrs. Geo. H. Keesee and D. E. Mountcastle, bearing on their trip as delegates to the San Francisco convention. Acting Chairman Goddard, of the Educational Committee, announced the program of his committee for the coming season, which program includes classes in "Elementary Banking," "Practical Banking," "Commercial Law" and "Public Speaking." N. R. Watt, Chairman of the Membership Committee, submitted for approval the names of thirty-three applicants for membership.

Three members of Richmond Chapter are receiving numerous congratulations upon the honor recently accorded them. R. H. Smith, formerly vice-president and cashier of the Planters National Bank of this city, has been elected president of that institution, succeeding the late James N. Boyd. Conway H. Gordon, formerly assistant cashier, has been promoted to the office of cashier, and R. Latimer Gordon, who was also assistant cashier, now holds the position of vice-president.

ROCHESTER

By Paul B. Aex

Rochester Chapter opened its season of activities on the evening of October 7, with the organization of a class in Commercial Law and Negotiable Instruments, under the direction of George S. Van Schaick, a local attorney, who has successfully conducted this class in former years. A first prize of $15 and a second prize of $10 will be given to those who stand highest and second highest, respectively, in this class.

In response to a demand from many of the members, who have completed one or both courses of study prescribed by the Institute, for something along advanced lines a course pertaining to investments was organized October 15. This class is taught by Harold D. Bentley, of the Guaranty Trust Company of New York. Topics to be considered will be economics un-

derlying investments, financing of corporations, marketing securities, cause of fluctuations in the rate of interest on capital, relationship of foreign investments to our market, reorganizations and stock exchanges.

We also have a class in Business English and Public Address, conducted by Prof. Lester Wilder, of the University of Rochester.

SACRAMENTO

By Harlow Fowler

Owing to the prospect of the banks on the Pacific Coast coming in contact with merchants who are doing business in Mexico and South American countries, and which will gradually increase in volume, the desirability of speaking the Spanish language is becoming recognized. In keeping with this general movement of the Pacific Coast Chapters, a class in Spanish has been created for the members of the Sacramento Chapter.

The classes in Banking and Law are progressing nicely. Students in the debating and forum section are devoting four hours a week to their work. Our instructor, F. M. Thomas, gives us a short talk on parliamentary laws at every session. He is very thorough in his explanation of this art, and as a result all feel confident enough to take the floor.

The new home of the Capital National Bank, within whose walls our Chapter is to have its study and club rooms, is rapidly nearing completion.

SALT LAKE CITY

By Wm. T. Patrick

The Chapter commenced its season's work on October 7, 1915, with a rousing meeting at the Commercial Club. Our Committee on Public Affairs has been appointed and consists of wide-awake fellows who are going to work along the lines outlined by the A. B. A. The Educational Committee has been active, and through their efforts we have been fortunate in obtaining the services of Franklin Holman, former Dean of the Law School of the local university, to take charge of our work in Commercial Law. Work in public speaking will also be continued during the season.

SAN FRANCISCO

By E. V. Krick

The past month saw our Chapter well advanced with its educational program. The enrollment of the various classes extended into October and has established a new record, well in advance of any similar registration in the past. The evening of September 28 was set apart as "Hispano-Americano" night for the introduction of the Spanish course, but as plans developed it emerged into a grand opening night for the year's work. Our rooms were crowded with determined, interested men, eager to commence the educational activities. The speakers of the evening aroused much enthusiasm by their addresses, setting forth the advantages of Institute educational work in general and the advantages of the acquisition of foreign languages in particular. The Chair was turned over by President Marcus to John Clausen, Manager of the Foreign Department of the Crocker National Bank. The Royal Marimba Band afforded much entertainment by interspersing Guatemalan and American anthems between addresses by the following representative men: Sr. Puyans y Nunez, Consul General of Cuba; Liceneiado D. Virgilio R. Beteta, member of the Financial Committee of Guatemala; E. W. Wilson, Manager International Banking Corporation, San Francisco; Sr. Linares, of Guatemala and San Francisco; F. G. Griebnow, the instructor.

Lieut. Jas. B. Howell on the evening of October 13 gave the Chapter an intensely interesting address on "The Submarine—A Revolution in Naval Warfare." Lieut. Howell traced the evolution of the submarine from the time of its inception to the present time, interspersing his remarks with historical events relating to the subject. He also devoted considerable time to the submarine warfare in Europe, explaining many of the phases upon which the average layman is uninformed.

Forum Night, October 20, was devoted to "The Foreign Exchange Situation." L. R. Cofer, Manager Foreign Exchange Department of the Wells-Fargo Nevada National Bank, read an able and comprehensive paper upon the subject. The usual general discussion followed.

ST. PAUL

By A. E. Turnquist

Our first meeting of the season was in form of a banquet on the evening of October 5 at the Emporium Tea Rooms, with a comparatively large attendance.

Our speaker for the evening was B. H. Schriber, a prominent attorney of this city, who spoke to us on the subject "Thrift." He made special emphasis on the importance of each one being systematic in laying aside a certain amount of one's income and investing it in your own particular business.

After Mr. Schriber's speech the delegates to the San Francisco convention were called upon to give their reports. Henry Olsen, Frank Wichman, Carl Thiers and our President, Mr. Bjorklund, gave us a clear idea of the hospitality of the various cities visited en route and also of the warm reception given the delegates by the San Francisco and Oakland Chapters.

The educational program for the year is left in the hands of the most active and influential members of the Chapter and an interesting course of study for the season is assured.

We are also planning to edit an independent Chapter paper, and the members who have that in charge are working for that purpose.

SEATTLE

By Lester R. McCash

Seattle Chapter had the pleasure of listening to an interesting address at its opening meeting, October 23, by Congressman Will E. Humphrey. Mr. Humphrey spoke on "Our Country's Need for Preparedness." He advocated a navy as large as that of any other nation and an army patterned after the Swiss.

After Mr. Humphrey's speech important business matters of the Chapter were discussed and the work for the season outlined. Prof. H. E. Smith, of the University of Washington, has been engaged to take charged of the first-year work, and Prof. E. E. McMahon, of the history department of the same institution, will lecture to the forum on banking history of the United States. Classes will also be formed in public speaking, and perhaps in commercial English, if enough men express the desire to take this course.

President Maine announced his appointments on committees as follows: Membership—James Valentine, Chairman; Country Banks Section—H. A. Barton; Entertainment Music—Mr. Miller; Bulletin and Press —Lester R. McCash, G. E. Maine, E. Banks Ansley, R. J. McDonald; Library—Park Cassell; Annual Dance—R. S. Walker, Dick Callahan, I. C. Bogardus; Informal Dance—D. T. Pilchard; Picnic—H. A. Barton.

SYRACUSE

By Robert B. Porter

Syracuse Chapter has begun the year's work with an educational program not surpassed by any in the history of our Chapter. Favored, as we are, with leading educators, we are proceeding with the assistance of Dean Walker, of Syracuse University, who lectures in Commercial Law, and Prof. Roman, who conducts the Forum. The work outlined for the Forum is a thorough study of the Federal Reserve Act. That a better understanding may be had, the class, as preliminary work, is first familiarizing themselves with the foreign banking systems and methods. It has been decided by our Educational Committee to hold the Forum and regular class in Law on the same evening. This has met with great success. It has added interest in both classes. S. Smith, who has lived in England, gave a profitable talk at the Forum upon the subject of English money. Events of this kind are to feature our program. The membership committees are cooperating with the bank officials for the purpose of increasing interest in Chapter work among the employees, with the thought in mind of increasing the efficiency of the men and having the efficiency recognized.

WASHINGTON

By John A. Petty

A smoker held Thursday, October 14, opened the season's work of Washington Chapter. At the conclusion of the educational announcements there was an initial enrolment of twenty members in the graduate class and about twenty-five in the "School of Practice."

We were addressed October 21 by the Honorable Dan Thew Wright, former Justice of the Supreme Court of the District of Columbia, on the subject of "Contracts." This was the initial lecture of our law course and the attendance was very encouraging. On Monday, October 25, the Chapter Forum will be started under the leadership of Dr. H. Parker Willis, Secretary of the Federal Reserve Board.

Our Chapter President, Harry V. Haynes, was recently elected assistant cashier of the Riggs National Bank. Our Secretary, T. J. Moore, resigned that office, having accepted a position with the Commercial National Bank, as manager of its branch in the Panama Canal Zone. P. A. Brunger, our Assistant Secretary, automatically becomes Secretary.

CINCINNATI

By Wm. Beiser

The first meeting of the year was held at the Sinton Hotel. The San Francisco Convention Delegates, through the courtesy of the Huber Art Company, illustrated their report.

Prof. Hicks, Dean of the College of Commerce and Finance, attended the first meeting and gave much encouragement to the members for the carrying on of educational plans during the year. Announcement was made of the organization of three membership committees which will contest against each other, the winners to be the guests of honor at a dinner. Messrs. Green, Brewster and Smith are the respective captains.

Mr. Mergler's class in Commercial Law has twenty-five students. A like number has been enrolled in a new class in Public Speaking, which will be conducted by John D. Ellis, a graduate of the Harvard Law School and a former member of the Harvard Debating Team.

The College of Commerce, Finance and Accounts of the Cincinnati University has established a scholarship to be known as the American Institute of Banking Scholarship, in recognition of the services rendered by the organization in the development of the Evening School of Commerce. John P. H. Brewster was the seceltion of the Board for the scholarship.

Omer W. Clark, our Secretary, has accepted the cashiership of the Farmers Bank of Good Hope, Ohio. Mr. Clark is a certificate holder of the Institute and was a very active participant in Chapter affairs from the time his application for membership was filed. Max Rieker, of the Citizens National Bank, has been appointed as Secretary.

Wm. E. Strautmann, an officer of the Court House Savings Bank, has been elected as Chairman of the Educational Committee. Quite a number of the older members have taken a renewed interest in Chapter affairs and are also in attendance at the classes and open lectures.

UTICA

By D. M. Williams

The first meeting of the season was held in the Chapter rooms in the Utica Trust & Deposit Company's building on October 19. The address of the evening was made by Alfred W. Hudson, President of the First National Bank of Syracuse. His subject was "Bank Examination," and the men enjoyed a profitable evening.

The regular class work was inaugurated Tuesday, October 26, when Prof. F. R. Walker, instructor in law, gave his first lecture on the negotiable instrument law. Some of the men have taken the examinations held thus far, and by passing this year's work will be entitled to the Institute certificate.

OAKLAND

By D. P. Scudder

October has seen a very active lot of men engaged in the two branches of study offered by Oakland Chapter. The course in Commercial Law is being conducted with the Institute text book, supplemented by a syllabus compiled by the University of California and used by them in their classes in law. The student reads the subject matter and prepares the questions as given in the syllabus, coming to the class ready to recite the lesson rather than listen to a lecture by the instructor. After the recitation of about forty minutes the remainder of the hour is devoted to advance work. This plan has resulted in better work on the part of those taking the course, as well as spirited discussions on propositions that might be worked out in different ways. The Spanish class has an enrolment of fifteen men who are learning the intracacies of the Castillian language under the instruction of Prof. G. Argiela.

DENVER

By C. A. Land

The Educational Class has started with forty-nine enthusiastic members. The class is studying economics and is under the leadership of Dr. D. Shaw Duncan, of the University of Denver. Dr. Duncan will also conduct the Forum class, which will have a membership of about twenty and a text covering United States finance.

The Denver Chapter Alumni Association was organized with twenty members, the purpose being the conservation and extension of all educational features of the Chapter.

At our regular October meeting we enjoyed an address of an unusually high order by James H. Pershing on "Classification of Municipal Bond Issues."

We shall lose one of our most earnest and active members through the resignation of R. Carson Perkins as savings teller for the Central Savings Bank & Trust Company to accept the ashiership of the Creyenne Wells State Bank at Cheyenne, Wells, Col.

Another of our active charter members left us on September 1, J. N. Quinn, formerly discount teller at the United States National Bank, who went to New Raymer, Col., where he organized the New Raymer State Bank.

We were pleased to have the opportunity to greet forty-seven delegates who stopped off in our city while returning from the San Francisco convention. We were unable to show them around as much as we would have liked, but promise them and five or six hundred others a better time in 1917.

ST. LOUIS

By John V. Keely

On September 28 our opening meeting was attended by over two hundred. Our President, Charles A. Schacht, of the Franklin Bank, gave a short talk on the outlook of the Chapter for 1915-16. R. L. Gurney, manager of the savings department of the American Trust Company, recited quite a lengthy poetic composition from his own pen, "Living Models of Chapter Men." Byron W. Moser, assistant cashier of the St. Louis Union Bank, gave an outline of the work to be pursued by the Public Affairs Committee, of which he is Chairman, and said he would call upon any one of the members of the Chapter to give a talk on "Thrift" in the near future. Frank C. Ball, of the Mississippi Valley Trust Company, gave an interesting talk on the recent Institute convention at San Francisco. Among others who spoke were Adolph Bieger, vice-president of the Bremen Bank; W. R. Dorris, cashier of the First National Bank of O'Fallon, Ill., and A. Holt Roudebush, on "Our Law Class This Year."

October 19 we opened our Law Class and from appearances the season of 1915-16 will be one of the best since our organization, over eighty having taken advantage of the opportunity of preparing themselves for a better knowledge of present-day banking. A Holt Roudebush, our law lecturer, gave an outline of the course to be taken this year. The Publicity Committee reports everything working well.

Charles Wright of the Membership Committee, has appointed a counsel in each bank to present to the non-members their need of the Chapter. He reports that new applications are coming in very rapidly.

The Forum Class, under the direction of Frederick Vierling, trust officer of the Mississippi Valley Trust Company, is again popular.

MEMBERSHIP CHANGES

The membership of the Association is now over 15,000. There are frequent changes which come about through consolidations, mergers, liquidations, etc. The General Secretary of the Association would appreciate receiving from our members notice of any changes which occur, for the purpose of keeping our membership list correct and giving publicity through the columns of the *JOURNAL-BULLETIN.*

Alabama	Birmingham	Merchants & Mechanics Trust & Savings Bank taken over by Jefferson County Bank.
Arkansas	Fort Smith	Arkansas Valley Trust Company succeeded by Arkansas Valley Bank.
	Monticello	Monticello Bank & Trust Company succeeded by Union Bank & Trust Company.
California	Oakland	Western Commercial & Savings Bank discontinued banking business.
Colorado	Granada	First National Bank succeeded by American State Bank.
Illinois	Chicago	Banking House of Joseph Stein & Company succeeded by State Commercial & Savings Bank.
Mississippi	Vicksburg	Delta Trust & Banking Company taken over by Merchants National Bank.
Nevada	Reno	Nixon National Bank changed to Reno National Bank.
Pennsylvania	Scranton	Merchants & Mechanics Bank merged with First National Bank.
Tennessee	Chattanooga	Commercial Bank & Trust Company succeeded by Bank of Commerce.
	Shelbyville	Farmers Bank converted to Farmers National Bank.

NEW MEMBERS FROM OCTOBER 1 TO 30, 1915, INCLUSIVE.

Colorado	Eads	First National Bank.
	Kersey	Kersey State Bank.
Connecticut	New Haven	National Savings Bank.
Georgia	Montezuma	The Lewis Banking Company.
	Wrightsville	Bank of Wrightsville.
Idaho	Burley	First National Bank.
Illinois	Lockport	First National Bank.
	Monmouth	Peoples National Bank.
	Ramsey	Ramsey National Bank.
Iowa	Clermont	Farmers Savings Bank.
	Dunlap	Citizens State Bank.
	Melbourne	Melbourne Savings Bank.
	Sioux City	American Savings Bank.

Kansas	Atwood	Rawlins County State Bank.
	Greenleaf	Citizens National Bank.
	Ingalls	Farmers State Bank.
	Kansas City	Home-State Bank.
	Moscow	Moscow State Bank.
	Satanta	Satanta State Bank.
	Victoria	German National Bank.
Louisiana	Marthaville	Bank of Marthaville.
	New Orleans	Federal Reserve Bank of Atlanta.
Maryland	Baltimore	Baltimore Commercial Bank.
Massachusetts	Boston	Tremont Trust Company
Michigan	Detroit	Dime Savings Bank, Michigan Avenue and Eighth Street Branch.
Minnesota	Cokato	State Bank of Cokato.
	Spooner	State Bank of Spooner.
	Minneapolis	Gateway State Bank.
Missouri	Caruthersville	First National Bank.
	St. Charles	Peoples Bank of St. Charles.
Mississippi	Indianola	Bank of Indianola.
Montana	Denton	First State Bank.
	Superior	Superior State Bank.
North Dakota	Charlson	Farmers Bank of McKenzie County.
Ohio	Upper Sandusky	Citizens Savings Bank.
Oklahoma	Geary	American State Bank.
	Shawnee	State National Bank.
	Texhoma	Farmers State Bank.
	Tishomingo	First National Bank.
	Tulsa	Producers State Bank.
	Valliant	Farmers State Guaranty Bank.
Pennsylvania	Mahanoy City	Merchants Banking Trust Company.
	South Fork	First National Bank.
South Dakota	Howard	Howard National Bank.
Tennessee	Maryville	First National Bank.
Utah	Kamas	Kamas State Bank.
Wisconsin	Humbird	First State Bank.
	Omro	Peoples Bank of Omro.
Mexico, Jalisco	Guadalajara	Compania Occidental de Almacenajo.